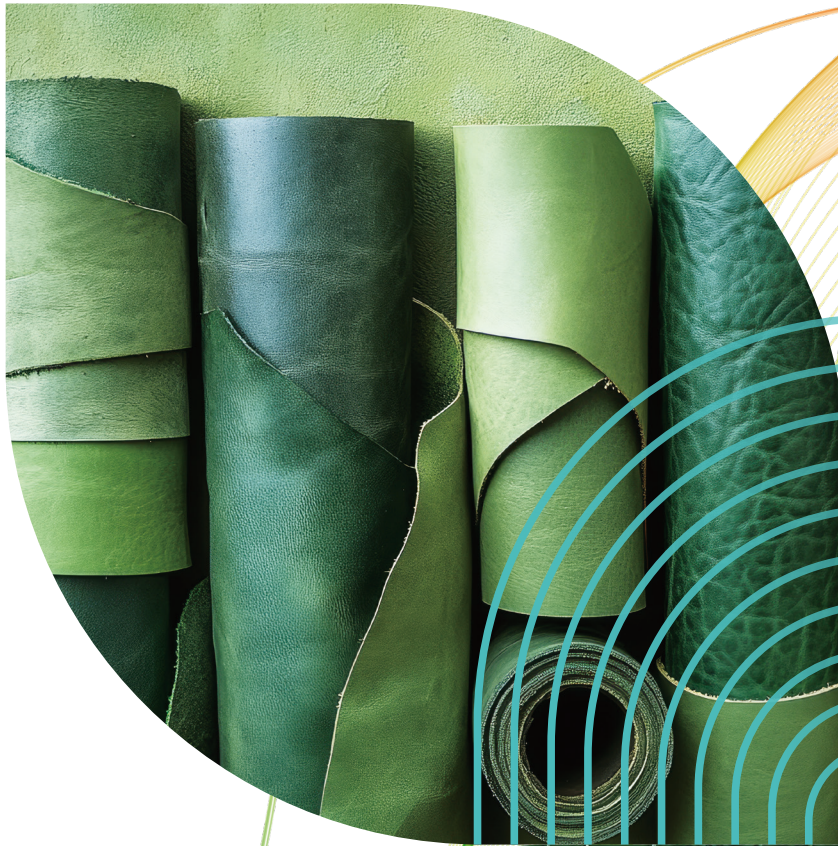


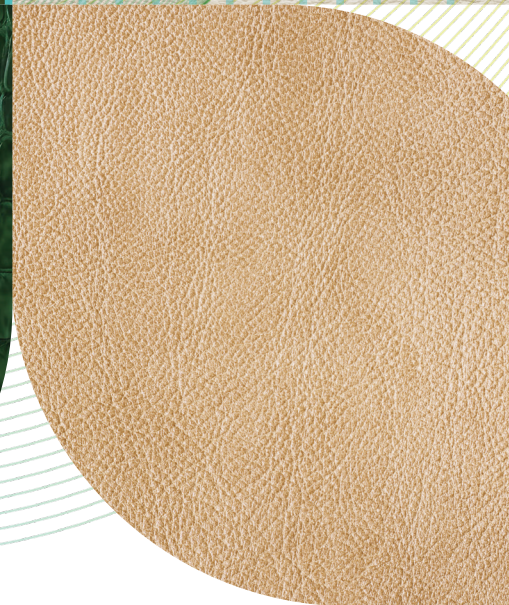
China International Development Corporation Limited
中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0264



2025
ANNUAL
REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Qin Bohan (*Co-Chairman*)
Mr. Zhang Li (*Co-Chairman*)
(appointed on 26 January 2026)
Mr. Fan Xin (*Chief Executive Officer*)
Mr. Leung Wai Kit
Mr. Ying Yong
(appointed on 14 January 2025)
Mr. Lei Zhengbiao
(appointed on 28 October 2025)
Mr. Ding Wentuo
(appointed on 13 January 2026)
Mr. Chiang Chien Chih (appointed on 14 January 2025
and resigned on 14 January 2026)
Mr. Zhao Jingfei (resigned on 3 December 2025)
Mr. Fong Sze Chun (appointed on 9 April 2025 and
resigned on 25 September 2025)
Mr. Jerome Jean Jacques Loubert (appointed on
9 April 2025 and resigned on 25 September 2025)

Non-executive Directors

Mr. Siu Miu Man, Simon, *MH* (appointed as an executive
Director on 25 September 2025 and re-designated
as a non-executive Director on 26 January 2026)
Mr. Chan Hau Him Howard (appointed on 9 April 2025
and resigned on 25 September 2025)

Independent Non-executive Directors

Ms. Jia Lixin
Ms. Chen Mengsi (appointed on 21 January 2025)
Mr. Peng Zuoquan (appointed on 8 July 2025)
Mr. Chen Heyi (appointed on 13 January 2026)
Ms. Ye Duan (appointed on 8 July 2025 and
resigned on 26 January 2026)
Ms. Han Yu (resigned on 19 November 2025)

COMPANY SECRETARY

Ms. Chan Yuen Ying Stella
(appointed on 19 November 2025)
Mr. Chan Tsang Mo (resigned on 19 November 2025)

AUDIT COMMITTEE

Mr. Chen Heyi (*Committee Chairman*)
(appointed on 14 January 2026)
Ms. Jia Lixin
Ms. Chen Mengsi (appointed on 21 January 2025)
Ms. Ye Duan (appointed on 3 December 2025 and
resigned on 26 January 2026)
Ms. Han Yu (resigned on 19 November 2025)

NOMINATION COMMITTEE

Mr. Qin Bohan (*Committee Chairman*)
(appointed on 3 December 2025)
Ms. Jia Lixin
Ms. Chen Mengsi (appointed on 21 January 2025)
Mr. Chen Heyi (appointed on 13 January 2026)
Ms. Ye Duan (appointed on 3 December 2025 and
resigned on 26 January 2026)
Mr. Zhao Jingfei (resigned on 3 December 2025)
Ms. Han Yu (resigned on 19 November 2025)

REMUNERATION COMMITTEE

Ms. Chen Mengsi (*Committee Chairlady*)
(appointed on 21 January 2025)
Mr. Fan Xin
Ms. Jia Lixin
Mr. Chen Heyi (appointed on 13 January 2026)
Ms. Ye Duan (appointed on 3 December 2025 and
resigned on 26 January 2026)
Ms. Han Yu (resigned on 19 November 2025)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 06
15/F, Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd. Hong Kong Branch
Nanyang Commercial Bank Limited
Bank of China (Hong Kong) Limited

AUDITOR

Ascenda Cachet CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

LEGAL ADVISER ON HONG KONG LAW

Li & Partners

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D, P.O. Box 1586
Gardenia Court, Camana Bay
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.irasia.com/listco/hk/cidc/index.htm

STOCK CODE

264

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2025	Year ended 31 December 2024
Operating results		
Revenue (HK\$'000)	59,295	21,961
Gross profit (HK\$'000)	14,186	6,601
Loss before tax (HK\$'000)	(17,380)	(17,072)
Loss for the year (HK\$'000)	(18,230)	(17,072)
Business performance ratios		
Gross profit margin (%)	23.9	30.1
Current ratio (times)	0.71	0.18
Quick ratio (times)	0.69	0.15
Share data (as at year end date)		
Shares in issue ('000)	461,740	422,716
Shares closing price (HK\$)	2.40	1.56
Market capitalization (HK\$'000)	1,108,176	659,437
Basic loss per share attributable to the owners of the Company (HK cents)	(3.6)	(4.1)
Net liabilities value per share (HK\$)	(0.04)	(0.15)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I present the annual report of the Company for the year ended 31 December 2025.

FINANCIAL PERFORMANCE

The Group has recorded revenue of approximately HK\$59,295,000 for the year ended 31 December 2025 (2024: approximately HK\$21,961,000), representing a significant increase of 170.0% or approximately HK\$37,334,000 as compared with the year ended 31 December 2024. External revenue contributed from the Leather Manufacturing Business, Leather Retail Business, Automobile Services Business and Lifestyle Consumer Business was approximately HK\$32,099,000 (2024: approximately HK\$21,433,000), approximately HK\$236,000 (2024: approximately HK\$522,000), approximately HK\$2,573,000 (2024: approximately HK\$6,000) and approximately HK\$24,387,000 (2024: nil) for the year ended 31 December 2025, respectively. Gross profit was approximately HK\$14,186,000 (2024: approximately HK\$6,601,000) for the year ended 31 December 2025. There was a decrease in gross profit margin from approximately 30.1% for the year ended 31 December 2024 to approximately 23.9% for the year ended 31 December 2025. The increased revenue was primarily attributable to the significant increase in revenue from the Leather Manufacturing Business and the development of the new segments of Automobile Services Business and Lifestyle Consumer Business. Performance of the Group's business is covered in more details under the “Business Review” section below.

Other income increased from approximately HK\$288,000 for the year ended 31 December 2024 to approximately HK\$2,653,000 for the year ended 31 December 2025. The increase was mainly attributable to the write-back of other payables and accruals of approximately HK\$1,408,000 and gain on modification of leases of approximately HK\$890,000 for the year ended 31 December 2025.

There was no further impairment (2024: approximately HK\$1,553,000) on right-of use assets for the year ended 31 December 2025 as most of the Group's leases have been expired and lapsed as at 31 December 2025.

Selling and distribution costs decreased by approximately HK\$179,000 to approximately HK\$1,731,000 for the year ended 31 December 2025 (2024: approximately HK\$1,910,000). The decrease was mainly due to reduction in overseas orders, which led to lower shipping and distribution volumes and consequently reduced freight and handling charges.

Administrative and other operating expenses increased by approximately HK\$13,261,000 to approximately HK\$29,777,000 (2024: approximately HK\$16,516,000) for the year ended 31 December 2025. The increase was mainly due to (i) the development of new business segments during the year, which led to higher staffing levels and related employee costs as the Group recruited additional personnel to support the new operations; (ii) increased administrative expenses associated with setting up and operating the new segments, including office, utilities and other overheads; and (iii) a rise in professional fees, principally legal, consulting and advisory services engaged to support business development, regulatory compliance and corporate matters.

As a result of the above, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$15,655,000 (2024: approximately HK\$17,062,000) for the year ended 31 December 2025. Loss per share attributable to the owners of the Company for the year ended 31 December 2025 was HK3.6 cents (2024: HK4.1 cents).

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 December 2025, the Leather Manufacturing Business, the Leather Retail Business, the Automobile Services Business and the Lifestyle Consumer Business accounted for approximately 54.1% (2024: 97.6%), 0.4% (2024: 2.4%), 4.3% (2024: nil) and 41.2% (2024: nil) of the Group's total revenue, respectively.

Leather Manufacturing Business

Facing challenges such as Sino-US trade frictions, tariff adjustments and fluctuations in demand from the US market, the Group adopted prudent and pragmatic measures in 2025 while concurrently advancing market expansion, supply-chain management and product upgrades to address external uncertainties in a steady manner.

For the year ended 31 December 2025, revenue from the Leather Manufacturing Business amounted to approximately HK\$32,099,000, representing an increase of approximately 49.8% from HK\$21,433,000 for the year ended 31 December 2024. The growth was mainly driven by: (i) inventory rationalization, strategic outsourcing and dynamic workforce allocation, which effectively alleviated cash pressure and improved capacity utilization, resulting in a marked recovery in production efficiency in the second half of the year; and (ii) strengthened supply-chain risk control and delivery management, and improvements to settlement and inventory processes to enhance cash-flow stability and delivery reliability. The Leather Manufacturing Business recorded a profit of approximately HK\$4,781,000 (2024: loss of approximately HK\$4,526,000) for the year ended 31 December 2025.

The growth reflects the Group's continued improvement in execution and risk management amid adverse conditions. The Group remains cautious and considers that there is further room for structural and operational improvements and will continue to implement related optimization measures.

Revenue analysis by geographic location:

	2025		2024	
	HK\$'000	%	HK\$'000	%
Hong Kong, China	11,967	37.3	8,432	39.3
Europe	8,278	25.8	9,887	46.1
Chinese Mainland	11,854	36.9	461	2.2
The United States	-	-	935	4.4
Other countries	-	-	1,718	8.0
	32,099	100.0	21,433	100.0

Revenue analysis by product category:

	2025		2024	
	HK\$'000	%	HK\$'000	%
Belts	15,379	47.9	13,065	61.0
Leather goods and other accessories	16,720	52.1	8,368	39.0
	32,099	100.0	21,433	100.0

Leather Retail Business

The Leather Retail Business was affected by weak retail sentiment in Hong Kong. Revenue from external customers from Hong Kong amounted to approximately HK\$236,000 (2024: approximately HK\$522,000) for the year ended 31 December 2025, representing a decrease of approximately 54.8% compared with the year ended 31 December 2024. The decline in revenue was mainly attributable to continued uncertainty over the economic recovery in Hong Kong and the Chinese Mainland and intense competition from online sales channels, which put pressure on the performance of the Leather Retail Business. The Leather Retail Business recorded a loss of approximately HK\$1,456,000 (2024: loss of approximately HK\$2,004,000) for the year ended 31 December 2025.

As at 31 December 2025, the Group maintained one (2024: one) AREA 0264 store in Hong Kong and the Teepee Leather workshop was closed in August 2025 (2024: maintained one Teepee Leather workshop). In view of the continued pressure on the offline retail market, the Group expects to progressively consolidate and close its offline store in 2026 to optimize resource allocation and control operating costs.

Automobile Services Business

The Group has expanded its new business into the Automobile Services Business by setting up a joint venture with a strategic partner in December 2024, aiming to build a stable and complementary source of revenue for the Group. The Automobile Services Business recorded revenue of approximately HK\$2,573,000 (2024: approximately HK\$6,000) and a segment loss of approximately HK\$5,256,000 (2024: approximately HK\$20,000) for the year ended 31 December 2025. This outcome reflects that the project remains in its early investment and market-development stage, requiring higher start-up costs and operational adjustments in the short term, pathing the way for the stronger and more sustainable contribution to the Group's long term financial performance.

Lifestyle Consumer Business

In 2025, to further diversify revenue streams and enhance the Group's resilience, we prudently explored and developed the Lifestyle Consumer Business in sales of lifestyle consumer products. The Lifestyle Consumer Business contributed revenue of approximately HK\$24,387,000 (2024: nil) for the year ended 31 December 2025, thereby diversifying the Group's overall revenue mix and generating a segment profit of approximately HK\$1,337,000 (2024: nil).

CHAIRMAN'S STATEMENT

PROSPECTS

Leather Manufacturing Business

In 2026, the Group will continue to advance its transformation strategy toward premium positioning, customization and diversification in terms of products and market approach. The customized product line has already begun to receive initial market feedback in areas such as handbags and accessories.

In addition, to reduce reliance on any single market, the Group will strengthen its penetration into the European and the Chinese Mainland markets and actively explore the development of fashion apparel manufacturing businesses beyond leather products, with a view to optimizing its revenue mix and increasing the average value per order.

The Group will continue to implement its established strategy prudently and pragmatically, with a focus on expanding market presence in Europe and other regions, developing customized high-end product lines, and continuously improving settlement and inventory turnover. Financial objectives include steadily improving gross margin and operating-capital turnover efficiency while pursuing sustainable growth within controllable risk parameters.

Leather Retail Business

Following careful review, the previously proposed joint-venture plan to drive e-commerce has been terminated. In the interest of the Group's long-term objectives, the Group has promptly adjusted its approach to prioritize internal accelerated development, combined with phased pilot projects and selective strategic partnerships to advance e-commerce. This approach aims to validate the business model and expand the online market coverage of the Leather Retail Business while maintaining risk control.

Automobile Services Business

Management adopts a cautious and pragmatic stance toward the Automobile Services Business and has implemented a series of measures to improve operational efficiency and control costs, including optimizing service processes, strengthening staff training, and promoting cross-selling to leverage synergies with the Group's businesses. The Group will allocate resources in phases to mitigate expansion risk.

The Company believes that as market awareness increases, the operating model matures and the cost structure improves, the Automobile Services Business is expected to generate stable and sustainable cash flows and earnings for the Group in the medium to long term, becoming an important component of the Group's diversified development.

Lifestyle Consumer Business

Advancing the Lifestyle Consumer Business has enabled management to test new product categories, expand sales channels and optimize procurement and inventory management processes in the short term, while accumulating practical experience in rapid market response. Although initial results are positive, the Group remains prudent about the sustainability of the Lifestyle Consumer Business and has strengthened risk controls and gross-margin monitoring during operations. A phased rollout strategy is being adopted, prioritizing resource allocation to product categories with better returns and controllable risks.

Looking ahead to 2026, the Group will, while retaining flexibility, prudently assess the path to scale the Lifestyle Consumer Business based on market feedback and financial performance, and seek synergies with the existing leather business to deliver steady and sustainable returns to shareholders.

Industrial Hemp Business

The Group had planned to diversify into industrial hemp cultivation and the production of hemp textile products and resumed trial cultivation of the hemp variety “Yunma No. 8” in late May 2024. However, the Group has not achieved the expected progress in the development of industrial hemp cultivation and the related value chain. After considering current market prospects, technological maturity and resource allocation, the project has not yet met the key conditions necessary to support sustainable development. The Group will continue to prudently assess the development potential of this business and monitor relevant market and policy changes to adjust its development strategy in a timely manner.

Looking forward, the Group will continue to enhance product competitiveness, maintain and further expand its core customer base in Hong Kong, the Chinese Mainland and Europe, and implement key measures that the Group believes will improve profitability and support sustainable growth, including ongoing improvements in operational efficiency and cost control. The Group is also actively exploring new opportunities within the power semiconductor industry chain, further details will be announced in due course should any significant developments arise. The Group will closely monitor the economic environment and market trends and will make appropriate adjustments to the above strategies and measures as warranted by actual conditions, while continuing to explore new business opportunities.

The Group will continue to work with customers, shareholders and business partners to promote sustainable development, and will regularly review its strategic direction and operating model to further narrow losses and enhance shareholder value.

Qin Bohan

Co-Chairman

Hong Kong, 31 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2025, the Group's cash and bank deposits were approximately HK\$27,966,000 as compared to approximately HK\$829,000 as at 31 December 2024.

The Group recorded total current assets of approximately HK\$37,679,000 as at 31 December 2025 (31 December 2024: approximately HK\$10,878,000) and total current liabilities of approximately HK\$53,224,000 as at 31 December 2025 (31 December 2024: approximately HK\$59,744,000). The increase in total current assets was mainly due to the increase in prepayments, deposits and other receivables and bank balances. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.71 times as at 31 December 2025 (31 December 2024: approximately 0.18 times).

As at 31 December 2025, the Group had total assets amounting to approximately HK\$39,947,000 (2024: approximately HK\$10,878,000) and total liabilities of approximately HK\$57,319,000 (2024: approximately HK\$72,899,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 143.5% (31 December 2024: approximately 670.2%) as at 31 December 2025.

The improvement in current ratio and gearing ratio was mainly due to the placing of new shares which raised additional funds during the year ended 31 December 2025.

The Group recorded deficiency in assets of approximately HK\$17,372,000 (31 December 2024: HK\$62,021,000) as at 31 December 2025. The significant improvement in deficiency in assets was mainly attributable to the placing of new shares during the year which raised additional funds through the equity market, hereby strengthening the Group's financial position.

As detailed in note 2.1 to the consolidated financial statements, the Company has undertaken various measures to improve its liquidity. The Directors are of the view that the Group will have sufficient working capital to finance its obligations as and when they fall due for at least 12 months from 31 December 2025.

Inventories and trade receivables

The Group recorded total inventories of approximately HK\$1,174,000 (31 December 2024: approximately HK\$2,010,000) as at 31 December 2025 and the inventory turnover days decreased to 9 days as at 31 December 2025 from 48 days as at 31 December 2024. The Group had trade receivables of approximately HK\$3,407,000 (31 December 2024: approximately HK\$5,298,000) as at 31 December 2025 and the debtor turnover days decreased from 88 days to 21 days.

Impairment loss on property, plant and equipment and right-of-use assets

During the year ended 31 December 2024, a non-cash impairment loss of approximately HK\$1,553,000 was recognised on the right-of-use assets (2025: nil), mainly attributable to the past performance and the continuing challenging market condition as an impairment indicator to the Group's businesses. Further details of the impairment loss are set out in note 12 and note 22(a) to the consolidated financial statements.

SHARE CAPITAL AND FUND RAISING ACTIVITIES

As at 31 December 2025, the issued share capital of the Company was HK\$4,617,400 divided into 461,740,000 shares of the Company with par value of HK\$0.01 each.

During the year ended 31 December 2025, an aggregate of 39,024,000 shares of the Company had been issued and allotted. The Company further issued and allotted 12,916,000 shares subsequent to the year ended 31 December 2025.

Details of the fund raising activities are set out below:

Placing of New Shares under General Mandate in March 2025

On 21 February 2025, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to subscribe for up to 30,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.78 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 4 June 2024. The placing price of HK\$1.78 per placing share represented a discount of approximately 19.46% to the closing price of HK\$2.21 per share as quoted on the Stock Exchange on the date of the above placing agreement.

On 18 March 2025, an aggregate of 9,024,000 placing shares with par value of HK\$0.01 each have been successfully placed to not less than six placees at the placing price of HK\$1.78 per placing share pursuant to the terms of the relevant placing agreement. The aggregate nominal value of the 9,024,000 placing shares was HK\$90,240.

The gross proceeds from the above placing were approximately HK\$16.06 million, and the net proceeds, after deducting the placing commission, professional fees and other related expenses incurred in relation to the above placing, amounted to approximately HK\$15.62 million, representing a net issue price of HK\$1.73 per placing share.

The Company intended to apply the net proceeds as to (i) approximately HK\$6 million, equivalent to approximately 38.41% of the net proceeds from the above placing for the purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle’s engine; and (ii) approximately HK\$6 million, equivalent to approximately 38.41% of the net proceeds from the above placing, for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses; and (iii) approximately HK\$3.62 million, equivalent to approximately 23.18% of the net proceeds from the above placing, for settlement of outstanding payables.

As at 31 December 2025, the Company utilized the net proceeds from the above placing in full as intended.

The Directors considered that the above placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group’s financial position.

For the details of the above placing, please refer to the announcements of the Company dated 21 February 2025, 26 February 2025 and 18 March 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing of New Shares under General Mandate in May 2025

On 2 May 2025, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 20,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.78 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 4 June 2024. The placing price of HK\$1.78 per placing share represented a discount of approximately 6.32% to the closing price of HK\$1.90 per share as quoted on the Stock Exchange on the date of the above placing agreement.

As the conditions precedent as set out in the above placing agreement were not fully satisfied or fulfilled by 23 May 2025 (i.e. the closing date), the above placing agreement has not become unconditional and has lapsed.

For the details of the above placing, please refer to the announcements of the Company dated 2 May 2025, 7 May 2025 and 26 May 2025.

Placing of New Shares under General Mandate in September 2025

On 21 August 2025, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 44,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.42 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$1.42 per placing share represented a premium of approximately 17.36% over the closing price of HK\$1.21 per share as quoted on the Stock Exchange on the date of the above placing agreement.

On 10 September 2025, the Company and the above placing agent entered into a side letter to the above placing agreement to the effect that the maximum number of placing shares to be placed under the above placing agreement shall be reduced from 44,000,000 placing shares to 15,000,000 placing shares.

On 17 September 2025, an aggregate of 15,000,000 placing shares with par value of HK\$0.01 each have been successfully placed to not less than six placees at the placing price of HK\$1.42 per placing share pursuant to the terms of the relevant placing agreement (as amended and supplemented by the side letter dated 10 September 2025). The aggregate nominal value of the 15,000,000 placing shares was HK\$150,000.

The gross proceeds from the above placing were approximately HK\$21.3 million, and the net proceeds, after deducting the placing commission, professional fees and other related expenses incurred in relation to the above placing, amounted to approximately HK\$20.8 million, representing a net issue price of HK\$1.39 per placing share.

The Company intended to apply the net proceeds as to (i) approximately HK\$6.6 million for the purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle's engine; (ii) approximately HK\$6.0 million for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses; (iii) approximately HK\$5.1 million for the settlement of outstanding payables; and (iv) the remaining of approximately HK\$3.1 million for other general working capital of the Group.

As at 31 December 2025, the Company utilized the net proceeds from the above placing in full as intended.

The Directors considered that the above placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group's financial position.

For the details of the above placing, please refer to the announcements of the Company dated 21 August 2025, 10 September 2025, 11 September 2025 and 17 September 2025.

Placing of New Shares under General Mandate in October 2025

On 30 September 2025, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 15,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.75 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$1.75 per placing share represented a discount of approximately 16.27% to the closing price of HK\$2.09 per share as quoted on the Stock Exchange on the date of the above placing agreement.

On 27 October 2025, an aggregate of 15,000,000 placing shares with par value of HK\$0.01 each have been successfully placed to not less than six placees at the placing price of HK\$1.75 per placing share pursuant to the terms of the relevant placing agreement. The aggregate nominal value of the 15,000,000 placing shares was HK\$150,000.

The gross proceeds from the above placing were approximately HK\$26.25 million, and the net proceeds, after deducting the placing commission, professional fees and other related expenses incurred in relation to the above placing, amounted to approximately HK\$25.55 million, representing a net issue price of HK\$1.70 per placing share.

The Company intended to apply the net proceeds as to (i) approximately HK\$6.06 million for the existing business operation for purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle's engine; (ii) approximately HK\$13.69 million for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses; (iii) approximately HK\$2.94 million for the settlement of outstanding payables; and (iv) the remaining of approximately HK\$2.86 million for new business opportunities including but not limited to Web3 technology application scenarios.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2025, the Company utilized (i) approximately HK\$6.06 million for the existing business operation for purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle's engine; (ii) approximately HK\$13.69 million for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses; (iii) approximately HK\$2.94 million for the settlement of outstanding payables. The remaining HK\$2.86 million unutilized net proceeds from the above placing will be utilized for new business opportunities, as intended, on or before 31 December 2026.

The Directors considered that the above placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group's financial position.

For the details of the above placing, please refer to the announcements of the Company dated 30 September 2025 and 27 October 2025.

Placing of New Shares under General Mandate in January 2026

On 6 January 2026, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 20,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$2.16 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$2.16 per placing share represented a discount of approximately 14.96% to the closing price of HK\$2.54 per share as quoted on the Stock Exchange on the date of the above placing agreement.

On 27 January 2026, an aggregate of 12,916,000 placing shares with par value of HK\$0.01 each have been successfully placed to not less than six placees at the placing price of HK\$2.16 per placing share pursuant to the terms of the relevant placing agreement. The aggregate nominal value of the 12,916,000 placing shares was HK\$129,160.

The gross proceeds from the above placing were approximately HK\$27.90 million, and the net proceeds, after deducting the placing commission, professional fees and other related expenses incurred in relation to the above placing, amounted to approximately HK\$27.14 million, representing a net issue price of HK\$2.101 per placing share.

The Company intended to apply the net proceeds as to (i) approximately HK\$11.60 million, equivalent to approximately 42.74% of the net proceeds from the above placing, for the existing business operation for purchase of materials, equipment, and overhead costs related to the leather manufacturing and/or extended cleaning services for leather and motor vehicle's engine and other trading business; (ii) approximately HK\$9.04 million, equivalent to approximately 33.31% of the net proceeds from the above placing, for the general working capital of the Group including, but not limited to, rental payments, staff costs, professional fees and other general administrative and operating expenses; and (iii) approximately HK\$6.50 million, equivalent to approximately 23.95% of the net proceeds from the above placing, for the repayment of outstanding indebtedness.

The Company expects to utilize the net proceeds as intended on or before 31 December 2026.

The Directors considered that the above placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group's financial position.

For the details of the above placing, please refer to the announcements of the Company dated 6 January 2026 and 27 January 2026.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at and during the year ended 31 December 2025 (2024: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

On 21 August 2025, the Company and NVTSH Limited entered into a sale and purchase agreement, pursuant to which the Company, as purchaser, has conditionally agreed to acquire and NVTSH Limited, as vendor, has conditionally agreed to sell 200,000 ordinary shares with a par value of US\$1.00 each in the share capital of NVTH Limited (the “**Sale Shares**”), representing 20% of the entire issued share capital of NVTH Limited. The consideration payable by the Company for the Sale Shares shall be HK\$100,000,000, which shall be satisfied by cash and by way of allotment and issue of consideration shares under the general mandate granted to the Directors at the annual general meeting of the Company held on 3 June 2025.

As no agreement had been reached between the Company and NVTSH Limited for possible change in the terms and conditions of the relevant sale and purchase agreement and/or the mode of cooperation between the parties, the sale and purchase agreement lapsed on 30 September 2025.

For details, please refer to the announcements of the Company dated 21 August 2025, 10 September 2025, 11 September 2025 and 26 September 2025.

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this report, the Group does not have any other plans for material investments and capital assets as at the date of this report.

TREASURY POLICY

The Group generally finances its operation with internally generated resources and advances and loans from Directors and the ultimate controlling shareholder of the Company and other fund raising activities, including but not limit to placing of new shares. Cash and bank deposits of the Group are mainly denominated in HK\$, US\$ and RMB. Transactions of the Group are mainly denominated in HK\$, US\$ and RMB. As HK\$ is pegged to US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rate. In this regard, the Group is not exposed to significant currency risk arising from US\$. The fluctuations in the RMB's value against other currencies will create foreign currency translation gains or losses and may have a significant impact on the Group's business, financial condition and results. The Group currently does not have any foreign currency hedging policy. However, the management of the Company will continue to monitor foreign exchange exposure and will consider taking measures to mitigate significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any charges on assets (31 December 2024: Nil).

Other than the operating lease commitments and capital commitments as disclosed in notes 22(d) and 28 to the consolidated financial statements, respectively, the Group had no significant commitments and contingent liabilities as at 31 December 2025 and 31 December 2024.

EVENTS AFTER THE REPORTING PERIOD

On 17 March 2026, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 25,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.83 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$1.83 per placing share represented a discount of approximately 14.08% to the closing price of HK\$2.13 per share as quoted on the Stock Exchange on the date of the above placing agreement. As at the date of this report, the placing is yet to be completed. For details, please refer to the Company's announcements dated 17 March 2026.

Save as disclosed above and those disclosed under the section headed "Placing of New Shares under General Mandate in January 2026", above, there have been no significant events occurring after the end of the reporting period and up to the date of this report.

HUMAN RESOURCES

As at 31 December 2025, the Group employed 94 (2024: 109) employees. The salaries of employees largely depend on their job nature, performance and length of service with the Group. Total staff costs (including directors' emoluments) were approximately HK\$15,101,000 for the year ended 31 December 2025, as compared to approximately HK\$9,694,000 for the year ended 31 December 2024. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including defined contribution plans, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-the-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2025 (2024: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Qin Bohan, aged 30, has been appointed as an executive Director on 9 September 2019. He is also the co-chairman of the Board and the chairman of the nomination committee of the Company (the “**Nomination Committee**”). He was the assistant to the general manager of Tangcheng (Beijing) Finance and Taxation Service Co., Ltd.* (唐誠(北京)財稅服務有限公司) from February 2015 to October 2017. He has been the general manager of Beijing Zhongmin Huisheng Technology Co., Ltd.* (北京中民匯生科技有限公司) since December 2017.

Mr. Zhang Li, aged 53, has been appointed as an executive Director and the co-chairman of the Board on 26 January 2026. He obtained a Bachelor’s degree in Marketing from Northwest University of Political Science and Law (西北政法大學) (“**NWUPL**”) (formerly known as Northwest School of Political Science and Law (西北政法學院)) in 1998. He now engages as (i) the dean of the Guangdong-Hong Kong-Macao Greater Bay Branch of the Economics and Law Research Institute of NWUPL (西北政法大學經濟與法研究院粵港澳大灣區分院) since August 2022; (ii) a visiting professor of school of economics of NWUPL since August 2022; and (iii) the executive dean of the Law Institute of Securities and Financial Crimes of NWUPL (西北政法大學證券金融犯罪研究院) since June 2025.

Mr. Zhang has extensive experience in finance and capital markets. He has been engaged in the investment and management business in the financial market for more than 20 years, focusing on securities investment and investment banking. Currently, Mr. Zhang is an executive director and the chairman of Value Convergence Holdings Limited (Stock Code: 821) and an independent non-executive director of Ta Yang Group Holdings Limited (Stock Code: 1991). Both companies’ shares are listed on the Main Board of the Stock Exchange.

Prior to joining the Company, Mr. Zhang served as (i) an executive director and the co-chairman of Daohe Global Group Limited (Stock Code: 915), a company whose shares are listed on the Main Board of the Stock Exchange, from April 2016 to July 2016; (ii) an executive director of Renaissance Asia Silk Road Group Limited (formerly known as China Billion Resources Limited) (Stock Code: 274), a company whose shares are listed on the Main Board of the Stock Exchange, from April 2018 to September 2019; (iii) an executive director and the co-chairman of Up Energy Development Group Limited (Stock Code: 307), a company whose shares were listed on the Main Board of the Stock Exchange, from June 2016 to May 2021 and from August 2016 to May 2021, respectively; (iv) a non-executive director and re-designated as an executive director of Madison Holdings Group Limited (Stock Code: 8057), a company whose shares are listed on GEM of the Stock Exchange, from October 2019 to November 2019 and from November 2019 to February 2023, respectively; (v) a non-executive director of Kelfred Holdings Limited (Stock Code: 1134), the company whose shares are listed on the Main Board of the Stock Exchange, from June 2021 to September 2022; and (vi) an executive director and the co-chairman of China First Capital Group Limited (Stock Code: 1269), a company whose shares are listed on the Main Board of the Stock Exchange, from July 2023 to May 2024.

Mr. Fan Xin, aged 43, has been appointed as an executive Director, the chief executive officer (the “**CEO**”) and authorised representative of the Company on 22 July 2019. He is also a member of the remuneration committee of the Company (the “**Remuneration Committee**”). Mr. Fan obtained New Zealand Diploma in Business (Level 6) from New Zealand Academy of Studies in 2008. Mr. Fan was a part-time researcher in the Securities Research Institute of Fudan University* (復旦大學證券研究所) from March 2013 to December 2013. He was a general manager in Beijing Sinan Think Tank Economics Research Co., Ltd.* (北京司南車智庫經濟學研究有限公司). He has been an executive director of Yinglian Technology Co., Ltd.* (鷹鏈科技有限公司) since February 2018. He has also been the general manager of Lijiang Airlines Investment Co., Ltd.* (麗江航空投資有限公司) since December 2018.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Wai Kit, aged 50, has been appointed as an executive Director on 5 July 2024. He obtained his bachelor's degree in business administration from the University of Management and Technology. Mr. Leung has over 20 years of sales and marketing experience in the telecom industry and over 15 years of management experience in business and sales operations in Hong Kong and mainland China. From December 1994 to March 2014, he held various operational and management positions in certain leading mobile telecommunications operators. He has served as a founder and chief executive officer of a natural skincare brand since June 2015.

Mr. Ying Yong, aged 47, has been appointed as an executive Director on 14 January 2025. He graduated from East China Normal University majoring in computer graphic design in July 2004. Mr. Ying served as creative service director of Shanghai Nitro Advertising Co. Limited* (上海麒麟廣告有限公司) from October 2002 to September 2011. He served as project director of a commodities trading company under Trends Communications Group* (趨勢中國傳播機構) from October 2011 to May 2013. He acted as deputy general manager of Zhongxu Hongji Investment Co., Ltd.* (中旭鴻基投資有限公司) from June 2013 to May 2017. He worked as vice president and commercial director of Beijing Luotian Culture Media Co., Ltd.* (北京洛天文化傳媒有限公司) from October 2020 to December 2021. He served as commercial director of Huakang ERAS (Beijing) Health Technology Co., Ltd.* (華康醫促(北京)健康科技有限公司) from January 2022 to January 2023. He has been the business consultant of Beijing Zhidao Management Consulting Co., Ltd.* (北京職道管理顧問有限公司) since January 2023 to the present. He has been a director of Sun Ray Manufactory Limited, a wholly-owned subsidiary of the Company, since October 2018.

Mr. Lei Zhengbiao, aged 31, has been appointed as an executive Director on 28 October 2025. He obtained his Bachelor's Degree in Mechanical Design, Manufacturing and Automation from the Wuhan University of Technology in June 2017. Mr. Lei has over 7 years of experience in engineering and technology, prior to joining the Company, served as engineer and technical director at various electronics and technology companies. From April 2019 to December 2023, Mr. Lei worked as senior product engineer in OPPO Guangdong Mobile Communications Co., Ltd.* (OPPO廣東移動通信有限公司). From June 2025 to 28 October 2025, Mr. Lei served as the technical sales manager of the Company.

Mr. Ding Wentuo, aged 32, has been appointed as an executive Director on 13 January 2026. He is skilled in corporate management, corporate finance and capital operations, has extensive experience in equities trading and fund-raising. He obtained a Bachelor of Economics degree from Northwest University of Political Science and Law (西北政法大學) in July 2015 and possesses the People's Republic of China legal professional qualification certificate. Mr. Ding was an industry manager of Baidu (China) Company Limited* (百度(中國)有限公司) from July 2015 to October 2017, and a founder and an executive director of Shenzhen Qianhai Jiu Chuang United Private Equity Fund Management Company Limited* (深圳市前海九創聯合私募證券基金管理有限公司) from November 2017 to November 2022. He served as an executive director and the chief executive officer of China E-Information Technology Group Limited, a company whose shares were listed on GEM of the Stock Exchange (Stock Code: 8055), from November 2022 to June 2023.

Mr. Ding currently serves as an external finance master's tutor of the School of Economics at Northwest University of Political Science and Law (西北政法大學經濟學院) and the executive vice dean of the Securities and Financial Crime Research Institute of Northwest University of Political Science and Law (西北政法大學證券金融犯罪研究院), and has been a founding partner of Shenzhen Kuangshi Family Office Investment Co., Ltd.* (深圳曠世家辦投資有限公司) since July 2023.

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NON-EXECUTIVE DIRECTOR

Mr. Siu Miu Man, Simon, MH, aged 68, has been appointed as an executive Director and the co-chairman of the Board on 25 September 2025. He has been redesignated as a non-executive Director and ceased to be the co-chairman of the Board with effect from 26 January 2026.

Mr. Siu graduated from The Hong Kong Polytechnic University with a Polytechnic Associateship in Building Technology and Management and a Master of Science in Electronic Commerce. He is a corporate member of the Hong Kong Institution of Engineers, Hong Kong Institute of Surveyors (General Practice Stream), Royal Institution of Chartered Surveyors (General Practice Stream) and Chartered Institute of Arbitrator. Mr. Siu is an Authorized Person under the Hong Kong Building Ordinance of the Government of the HKSAR. He is also a Registered Professional Engineer (Building Stream) and a Registered Professional Surveyor (General Practice Stream).

Mr. Siu has over 30 years of experience in investment activities and business management, including but not limited to extensive connection and managerial experience in commerce, banking, finance, real estate development and construction businesses. He has held directorships and senior management positions in several companies listed on the Main Board and GEM of the Stock Exchange and a public company listed on the mainland stock market.

Currently, Mr. Siu is an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821) and HG Semiconductor Limited (Stock Code: 6908), companies whose shares are listed on the Main Board of the Stock Exchange. He is also a director of DBG Technology Co., Ltd. (Stock Code: 300735), a company whose shares are listed on Shenzhen Stock Exchange. Meanwhile, Mr. Siu is also a director of an engineering firm.

He was (i) an independent non-executive director and redesignated as an executive director of Asia Energy Logistics Group Limited (Stock Code: 351), a company whose shares are listed on the Main Board of the Stock Exchange, from August 2016 to March 2018 and from March 2018 to November 2018, respectively; (ii) an independent non-executive director of Sheung Yue Group Holdings Limited (Stock Code: 1633), a company whose shares are listed on the Main Board of the Stock Exchange, from October 2016 to January 2018; and (iii) an independent non-executive director of Well Link Securities Holdings Limited (formerly known as Excalibur Global Financial Holdings Limited) (Stock Code: 8350), a company whose shares are listed on the GEM of the Stock Exchange from December 2017 to December 2023.

Mr. Siu is actively participating in public affairs and charitable activities. He is the vice president of the Association of Hong Kong Professionals and the Hong Kong Real Property Federation, the honorary president of the Hong Kong Kowloon City Industry and Commerce Association and the chairman of the Building Healthy Kowloon City Association. Due to his dedicated service to local community, he was conferred the Medal of Honour (M.H.) by The Government of the HKSAR in 2019.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jia Lixin, aged 36, has been appointed as an independent non-executive Director on 9 September 2019. She is also a member of each of the audit committee of the Company (the “**Audit Committee**”), the Nomination Committee and the Remuneration Committee. Ms. Jia graduated from the Hull University with a degree of Bachelor of Arts in Business and Management in 2012. She also obtained a degree of Master of Science in International Business from the Coventry University in 2013. Ms. Jia has been the general manager of Yichang Zaowei Information Technology Consulting Co., Ltd.* (宜昌早為信息技術諮詢有限公司) since 2017 to 2022.

Ms. Chen Mengsi, aged 36, has been appointed as an independent non-executive Director on 21 January 2025. She is also the chairlady of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Ms. Chen obtained a Bachelor’s degree of Arts in Accounting and Marketing from the University of Keele in July 2012. Ms. Chen served as assistant to general manager of Dongguan Nanbei Garden Hotel Co., Ltd.* (東莞市南北花園酒店有限公司) from March 2012 to October 2015. She served as deputy general manager of Dongguan Nanbei Mechanical and Electrical Group Co., Ltd.* (東莞南北機電集團有限公司) from November 2015 to April 2018. She has been a shareholder and a supervisor of Guangdong Zeheng Electric Power Engineering Co., Ltd.* (廣東擇恒電力工程有限公司) since May 2018.

Mr. Peng Zuoquan, aged 46, has been appointed as an independent non-executive Director on 8 July 2025. He obtained a master degree in business administration from the Miguel de Cervantes European University in July 2023. Mr. Peng qualified as a senior marketing specialist in Chinese Mainland in August 2012. Mr. Peng has been serving as the general manager and chairman of Sichuan Dufu Liquor Group Co. Ltd.* (四川杜甫酒業集團股份有限公司) since October 2017.

Mr. Chen Heyi, aged 41, has been appointed as an independent non-executive Director on 13 January 2026. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. Mr. Chen has over seventeen years of experience in financial markets across Hong Kong, Mainland China and international markets, during which he has gained substantial experience in both private and public equity markets. Mr. Chen has been the responsible officer of Yonggang International Capital Investment Limited (甬港國際資本投資有限公司), formerly known as Visionary Capital Investment Limited), an investment company, since January 2025 where he is responsible for the overall investment business development.

Mr. Chen served as the chief operating officer of Silverstone Investments Limited, a Hong Kong based investment firm, from October 2021 to November 2024. He was responsible for business development strategies for external asset manager business, and research and investment strategies across various asset classes. Mr. Chen served as an executive director of CVP Asset Management, a Hong Kong asset management company, from February 2016 to September 2021. During his tenure, he was responsible for discretionary investment projects and fund raising for various investment funds.

He obtained a Master of Arts in Psychology from the Chinese University of Hong Kong in 2025, a Master of Science in Investment Management from Sir John Cass Business School of the City University, London in 2007 and a Bachelor of Science in Economics from University College London to the University of London in 2006. He is a Chartered Financial Analyst (CFA) from CFA Institute, and a Fellow Certified Practising Accountant (FCPA) from CPA Australia.

He also serves as an independent director of Best SPAC Acquisition Corporation, a company whose shares are listed on NASDAQ Capital Market (stock code: BSAU US), since June 2025.

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COMPANY SECRETARY

Ms. Chan Yuen Ying Stella, aged 54, has been appointed as the company secretary and authorised representative of the Company on 19 November 2025. She is a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She is also a member of The Hong Kong Institute of Directors. Ms. Chan is currently the company secretary of several companies listed on the Main Board of the Stock Exchange. She is also an executive director of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Ms. Chan has more than 25 years' experience in handling listed company secretarial and compliance related matters.

The primary corporate contract person at the Company is Mr. Leung Wai Kit, an executive Director.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is important to the success of the Company. The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value and safeguard the interests of shareholders.

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules.

In the opinion of the Directors, the Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 December 2025 except for the following deviation.

Under Code Provision D.2.2 of the CG Code, the Group should have an internal audit function. The Group has reviewed the need for an internal audit department annually. Given the Group's simple operating structure, the management is of the opinion that instead of setting up an internal audit department, it would be more cost effective to engage an independent external professional party to review on annual basis the internal control systems and measures of the Group and report to the Audit Committee members. The review covered analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, encompassing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function, as well as those relating to the Company's Environmental, Social and Governance performance and reporting. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

Following the passing away of Mr. Rong Yi on 28 December 2024, the Board comprised six Directors, including four executive Directors and two independent non-executive Directors, the Audit Committee comprised two members only, and the chairman of the Remuneration Committee was vacant. The Company did not meet (i) the minimum number of independent non-executive directors as required under Rule 3.10(1) of the Listing Rules; (ii) the minimum number of members in the Audit Committee as required under Rule 3.21 of the Listing Rules; and (iii) the requirement under Rule 3.25 of the Listing Rule that the Remuneration Committee be chaired by an independent non-executive Director.

Following the appointment of Mr. Chiang Chien Chih and Mr. Ying Yong as executive Directors with effect from 14 January 2025, the Board comprised eight Directors, including six executive Directors and two independent non-executive Directors. The Company did not meet the requirement of having independent non-executive Directors representing at least one-third of the Board members under Rule 3.10A of the Listing Rules.

Following the appointment of Ms. Chen Mengsi, as an independent non-executive Director, the chairlady of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 21 January 2025, the Company re-complied with the above requirements of the Listing Rules.

On 9 April 2025, Mr. Fong Sze Chun, Mr. Jerome Jean Jacques Loubert had been appointed as executive Directors and Mr. Chan Hau Him Howard had been appointed as a non-executive Director. Accordingly, the Board comprised twelve Directors, including eight executive Directors, one non-executive Director and three independent non-executive Directors. The Company did not meet the requirement of having independent non-executive Directors representing at least one-third of the Board members under Rule 3.10A of the Listing Rules.

On 8 July 2025, Ms. Ye Duan and Mr. Peng Zuoquan had been appointed as independent non-executive Directors and the Company re-complied the above requirement of the Listing Rules.

Following the resignation of Ms. Han Yu as independent non-executive Director, she ceased to be the chairlady of the Audit Committee with effect from 19 November 2025. Therefore, the Company failed to comply with the requirement set out in Rule 3.21 of the Listing Rules with regard to the composition of the audit committee.

Ms. Ye Duan had been appointed as the chairlady of the Audit Committee with effect from 3 December 2025 and the Company re-complied the above requirement of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2025.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic directions and financial performance. The management was delegated authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to Remuneration Committee, Audit Committee and Nomination Committee.

The Board currently consists of seven executive Directors, one non-executive Director and four independent non-executive Directors. Their brief biographical details are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 17 to 21 of this report. There is no relationship, including financial, business, family or other material relevant relationships among the Board members and between the Chairman and the CEO.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025 and up to the date of this report, the following persons have been appointed as Directors, each of them had obtained the legal advice regarding obligations as a director of a listed issuer referred to in Rule 3.09D of the Listing Rules:

Name of Directors	Date of Obtaining Legal Advice
Chan Hau Him Howard (<i>resigned on 25 September 2025</i>)	7 April 2025
Chen Heyi	13 January 2026
Chen Mengsi	21 January 2025
Chiang Chien Chih (<i>resigned on 14 January 2026</i>)	14 January 2025
Ding Wentuo	13 January 2026
Fong Sze Chun (<i>resigned on 25 September 2025</i>)	8 April 2025
Lei Zhengbiao	28 October 2025
Jerome Jean Jacques Loubert (<i>resigned on 25 September 2025</i>)	8 April 2025
Peng Zuoquan	8 July 2025
Siu Miu Man, Simon, <i>MH</i>	25 September 2025
Ye Duan (<i>resigned on 26 January 2026</i>)	8 July 2025
Ying Yong	14 January 2025
Zhang Li	26 January 2026

Each of the above Directors has confirmed he/she understood his/her obligations as a director of a listed issuer.

The Board conducts meeting on a regular basis at approximately quarterly intervals and on an ad hoc basis, as required by business needs.

During the year ended 31 December 2025, 15 Board meetings were held by the Company. The individual attendance records of each Director at the meetings of the Board and annual general meeting of the Company during the year ended 31 December 2025 were as follows:

	Number of Board meetings attended/ eligible to attend	Annual general meeting held on 3 June 2025 attended
Executive Directors		
Mr. Qin Bohan (Co-Chairman)	14/15	0/1
Mr. Zhang Li (Co-Chairman) (Note 1)	N/A	N/A
Mr. Fan Xin (Chief Executive Officer)	15/15	1/1
Mr. Leung Wai Kit	15/15	1/1
Mr. Ying Yong (Note 2)	15/15	1/1
Mr. Lei Zhengbiao (Note 3)	1/1	N/A
Mr. Ding Wentuo (Note 4)	N/A	N/A
Mr. Zhao Jingfei (Note 5)	15/15	1/1
Mr. Chiang Chien Chih (Note 6)	15/15	1/1
Mr. Fong Sze Chun (Note 7)	5/7	1/1
Mr. Jerome Jean Jacques Loubert (Note 8)	5/7	1/1
Non-executive Directors		
Mr. Siu Miu Man, Simon, MH (Note 9)	3/3	N/A
Mr. Chan Hau Him Howard (Note 10)	6/7	1/1
Independent Non-executive Directors		
Ms. Jia Lixin	15/15	1/1
Ms. Chen Mengsi (Note 11)	15/15	1/1
Mr. Peng Zuoquan (Note 12)	8/8	N/A
Mr. Chen Heyi (Note 13)	N/A	N/A
Ms. Han Yu (Note 14)	14/14	1/1
Ms. Ye Duan (Note 15)	8/8	N/A

Notes:

- Mr. Zhang Li has been appointed as an executive Director and the co-chairman of the Board with effect from 26 January 2026.
- Mr. Ying Yong has been appointed as an executive Director with effect from 14 January 2025. 15 Board meetings and 1 annual general meeting were held after his appointment.
- Mr. Lei Zhengbiao has been appointed as an executive Director with effect from 28 October 2025. 1 Board meeting and no general meeting were held after his appointment.
- Mr. Ding Wentuo has been appointed as an executive Director with effect from 13 January 2026.
- Mr. Zhao Jingfei resigned as executive Director and co-chairman of the Board with effect from 3 December 2025. 15 Board meetings and 1 annual general meeting were held during his tenure of office.

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6. Mr. Chiang Chien Chih was appointed as an executive Director on 14 January 2025 and resigned with effect from 14 January 2026. 15 Board meetings and 1 annual general meeting were held during his tenure of office in 2025.
7. Mr. Fong Sze Chun was appointed as an executive Director and the co-chairman of the Board on 9 April 2025 and resigned with effect from 25 September 2025. 7 Board meetings and 1 annual general meeting were held during his tenure of office.
8. Mr. Jerome Jean Jacques Loubert was appointed as an executive Director on 9 April 2025 and resigned with effect from 25 September 2025. 7 Board meetings and 1 annual general meeting were held during his tenure of office.
9. Mr. Siu Miu Man, Simon, *MH* has been appointed as an executive Director and co-chairman of the Board on 25 September 2025. He has been redesignated as a non-executive Director and ceased to be the co-chairman of the Board with effect from 26 January 2026. 3 Board meetings and no general meeting were held after his appointment.
10. Mr. Chan Hau Him Howard was appointed as a non-executive Director on 9 April 2025 and resigned with effect from 25 September 2025. 7 Board meetings and 1 annual general meeting were held during his tenure of office.
11. Ms. Chen Mengsi has been appointed as an independent non-executive Director with effect from 21 January 2025. 15 Board meetings and 1 annual general meeting were held after her appointment.
12. Mr. Peng Zuoquan has been appointed as independent non-executive Director with effect from 8 July 2025. 8 Board meetings and no general meeting were held after his appointment.
13. Mr. Chen Heyi has been appointed as an independent non-executive Director with effect from 13 January 2026.
14. Ms. Han Yu resigned as independent non-executive Director with effect from 19 November 2025. 14 Board meetings and 1 annual general meeting were held during her tenure of office.
15. Ms. Ye Duan was appointed as an independent non-executive Director on 8 July 2025 and resigned with effect from 26 January 2026. 8 Board meetings and no general meeting were held during her tenure of office in 2025.

During the year ended 31 December 2025, the chairman/co-chairmen of the Board held one meeting with the independent non-executive Directors, without the presence of other Directors.

Non-executive Directors

All existing non-executive Director and independent non-executive Directors are appointed for a specific term of three years, renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment until terminated in accordance with the provisions under the appointment and are also subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with the Company's articles of association (the "**Articles**").

In order to ensure that independent views and input of the independent non-executive directors are made available to the Board, the Nomination Committee and the Board are committed to assess the directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;

- declaration of conflict of interest in their roles as independent non-executive directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of other Directors.

The Board has reviewed the above mechanism and considers the same has been effectively implemented during the year ended 31 December 2025.

At least one independent non-executive Director possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company has received from each of the independent non-executive Directors an annual written confirmation of his/her independence as required under Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers all independent non-executive Directors are independent.

DIRECTORS' RESPONSIBILITIES

The Board is responsible for overall management and control of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and service of the company secretary and senior management. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

DELEGATION BY THE BOARD

The Board has delegated responsibilities to the executive directors and senior management of the Company, including implementing decisions of the Board and directing and conducting the day-to-day operation and the management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board and approval has to be obtained from the Board prior to any significant transactions are entered.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The appointment of a new director must be approved by the Board. The Board has delegated to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Nomination Committee has established certain guidelines to assess the candidates. These guidelines emphasise appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and possible time commitments to the Board and the Company.

Each newly appointed director would receive a comprehensive, formal and tailored induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal and regulatory requirements and the Company's business and governance policies.

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Each of the Directors (including non-executive Directors) has entered into a service contract or letter of appointment with the Company and is appointed for an initial term of three years. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings in accordance with the Listing Rules and the Articles. Every Director newly appointed by the Board is subject to re-election at the first annual general meeting after his/her appointment.

According to article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

According to article 84(1) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3) the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall retire from office by rotation at least once every three years.

Pursuant to article 83(3) of the Articles, each of Mr. Zhang Li, Mr. Lei Zhengbiao, Mr. Ding Wentuo, Mr. Siu Miu Man, Simon, *MH*, Mr. Peng Zuoquan and Mr. Chen Heyi shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Pursuant to article 84(1) of the Articles, each of Ms. Jia Lixin and Ms. Chen Mengsi shall retire from office as Directors at the forthcoming annual general meeting of the Company. Each of the above Directors, being eligible, will offer himself/herself for re-election.

BOARD PRACTICES AND CONDUCT OF MEETINGS

The Board holds regular meetings no less than 4 times each year to formulate overall strategy of the Group, monitor its financial performance and maintain effective oversight over management. Directors may participate either in person or through electronic means of communications. Notice of regular board meetings is served to all directors at least 14 days prior to the meeting. For other board and committee meetings, reasonable notice is generally given.

Agenda of each board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each board meeting to keep the directors apprised of the latest development and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman and other relevant senior management normally attend regular board and committee meetings, and where necessary, other board and committee meetings to advise on business development, financial and accounting matters, statutory compliance, corporate governance, environment, social and governance issues and other major aspects of the Group. Draft minutes are normally circulated to all directors for comment in due course after each meeting and the final copy, which is kept by the company secretary, is open for directors' inspection.

Any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened board meeting. Except for those circumstances permitted by the Articles, a director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such director is not counted for quorum determination purposes.

DIRECTORS' INSURANCE COVER OF LEGAL ACTION

Under the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. During the year ended 31 December 2025, the Company arranged appropriate insurance cover for Directors' and officers' liabilities.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

The Directors, who held office as at 31 December 2025, participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group during the year ended 31 December 2025 in the following manner:

Name of Directors	Attended Seminars or Briefing/ Read Materials
Executive Directors	
Mr. Qin Bohan (<i>Co-Chairman</i>)	✓
Mr. Fan Xin (<i>Chief Executive Officer</i>)	✓
Mr. Leung Wai Kit	✓
Mr. Ying Yong (<i>appointed on 14 January 2025</i>)	✓
Mr. Lei Zhengbiao (<i>appointed on 28 October 2025</i>)	✓
Mr. Chiang Chien Chih (<i>resigned on 14 January 2026</i>)	✓
Non-executive Director	
Mr. Siu Miu Man, Simon, <i>MH</i> (<i>appointed as an executive Director on 25 September 2025 and re-designated as a non-executive Director on 26 January 2026</i>)	✓
Independent Non-executive Directors	
Ms. Jia Lixin	✓
Ms. Chen Mengsi (<i>appointed on 21 January 2025</i>)	✓
Mr. Peng Zuoquan (<i>appointed on 8 July 2025</i>)	✓
Ms. Ye Duan (<i>resigned on 26 January 2026</i>)	✓

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Group are separated and performed by different individuals. Mr. Qin Bohan and Mr. Zhang Li are the co-chairmen of the Board, and Mr. Fan Xin is the CEO.

The co-chairmen of the Board are responsible for leading the Board and managing its work to ensure that it effectively operates and fully discharges its responsibilities, while the CEO, Mr. Fan Xin is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions. The Company considered that the division of responsibilities between the chairman and chief executive officer is clearly established.

BOARD COMMITTEES

There are three committees established under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee has its defined and written terms of reference setting out its duties, powers and functions and being posted on the Company's website and the Stock Exchange's website. The board committees report regularly to the Board on their decisions and recommendations, and they are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with the CG Code and in line with the Listing Rules requirements. The primary functions of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As at the date of this report, the Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chen Heyi (Committee Chairman), Ms. Jia Lixin and Ms. Chen Mengsi.

During the year ended 31 December 2025, 3 Audit Committee meetings were held by the Company. Individual attendance of each committee member at the meetings is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Mr. Chen Heyi (<i>Note 1</i>)	N/A
Ms. Jia Lixin	3/3
Ms. Chen Mengsi (<i>Note 2</i>)	3/3
Ms. Ye Duan (<i>Note 3</i>)	N/A
Ms. Han Yu (<i>Note 4</i>)	3/3

Notes:

1. Mr. Chen Heyi has been appointed as a member of the Audit Committee with effect from 13 January 2026 and the chairman of the Audit Committee with effect from 14 January 2026.
2. Ms. Chen Mengsi has been appointed as a member of the Audit Committee with effect from 21 January 2025. Three Audit Committee meetings were held after her appointment.
3. Ms. Ye Duan was appointed as the chairlady of the Audit Committee with effect from 3 December 2025. On 14 January 2026, she ceased to be the chairlady but remained as a member of the Audit Committee. She ceased to be a member of the Audit Committee with effect from 26 January 2026. No Audit Committee meeting was held during her tenure of office in 2025.
4. Ms. Han Yu ceased to be chairlady of the Audit Committee with effect from 19 November 2025. Three Audit Committee meetings were held during her tenure of office.

The major roles and functions of the Audit Committee are as follows:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to review and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to monitor the integrity of the Company's financial statements and the annual report and accounts and interim report and, if prepare for publication, and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts of the Company before submission to the Board, the Audit Committee shall focus particularly on:
 - any changes in financial reporting and accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;

CORPORATE GOVERNANCE REPORT

- compliance with accounting standards; and
- compliance with the Listing Rules, the applicable rules and legal requirements in relation to financial reporting.
- to liaise with the Board and senior management and meet at least twice a year, with external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual report and accounts and interim report, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or external auditor of the Company;
- to review the financial controls, internal control and risk management systems of the Company, such risks would include, amongst others, material risks relating to ESG;
- to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, and financial reporting function, as well as those relating to the Company's ESG performance and reporting;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to review the Group's financial and accounting policies and practices;
- to review the management letter of the external auditor, any material queries raised by the external auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;
- to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;
- to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the Company;

- to review arrangements for employees and those who deal with the Company (e.g. customers and suppliers) of the Company to raise concerns, in confidence and anonymity, about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; and
- to act as the key representative body for overseeing the Company's relations with external auditor.

During the year ended 31 December 2025, the Audit Committee has reviewed with the Group's management the principles and practices adopted by the Group, discussed internal control and risk management system, the effectiveness of the Company's internal audit function and financial reporting matters, including a review of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2025 and audited consolidated financial statements of the Company for the year ended 31 December 2024.

Auditor's remuneration and auditor related matters

The statement of the independent auditor of the Company, Ascenda Cachet CPA Limited, regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" on pages 56 to 63 of this report.

Ascenda Cachet CPA Limited provided audit services, other assurance services and other non-assurance services to the Group. During the year ended 31 December 2025, the fees paid/payable by the Group was HK\$2,450,000 (2024: HK\$1,420,000), of which the fees for the audit services, other assurance services and other non-audit services were HK\$1,900,000 (2024: HK\$1,200,000), HK\$250,000 (2024: HK\$180,000) and HK\$300,000 (2024: HK\$40,000), respectively. The other assurance services and other non-audit services mainly included agreed upon procedures related to interim reporting and other compliance advice service.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment or removal of the independent auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the independent auditor of the Company.

Remuneration Committee

A Remuneration Committee has been established with written terms of reference in compliance with the CG Code and in line with the Listing Rules requirements. The primary functions of the Remuneration Committee include reviewing and making recommendation to the Board on the remuneration policy and structure for all Directors and senior management. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management.

As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors, namely Ms. Chen Mengsi (Committee Chairlady), Ms. Jia Lixin and Mr. Chen Heyi, and one executive Director, namely Mr. Fan Xin.

The Remuneration Committee meets at least once a year and the Remuneration Committee will meet on other occasion when required.

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During the year ended 31 December 2025, one Remuneration Committee meeting was held to determine the policy for the remuneration of executive Directors, make recommendations to the Board on the remuneration packages of executive Directors and senior management, review and determine the annual remuneration packages of the Directors, assess the performance of executive Directors and approve the terms of executive Directors' service contracts. Individual attendance of each committee members at the meetings is as follows:

	Number of meetings attended/eligible to attend
Independent Non-executive Directors	
Ms. Chen Mengsi (<i>Committee Chairlady</i>) (<i>Note 1</i>)	1/1
Ms. Jia Lixin	1/1
Mr. Chen Heyi (<i>Note 2</i>)	N/A
Ms. Ye Duan (<i>Note 3</i>)	N/A
Ms. Han Yu (<i>Note 4</i>)	1/1
Executive Director	
Mr. Fan Xin	1/1

Notes:

1. Ms. Chen Mengsi has been appointed as the chairlady of the Remuneration Committee with effect from 21 January 2025. One Remuneration Committee meeting was held after her appointment.
2. Mr. Chen Heyi has been appointed as a member of the Remuneration Committee with effect from 13 January 2026.
3. Ms. Ye Duan was appointed as a member of the Remuneration Committee on 3 December 2025 and ceased to be a member of the Remuneration Committee with effect from 26 January 2026. No Remuneration Committee meetings were held during her tenure of office in 2025.
4. Ms. Han Yu ceased to be a member of the Remuneration Committee with effect from 19 November 2025. One Remuneration Committee meeting was held during her tenure of office in 2025.

The major roles and functions of the Remuneration Committee are as follows:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual Directors and senior management. The remuneration package should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendation to the Board on the remuneration of non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;
- to review from time to time as appropriate the terms of reference of the Remuneration Committee and recommend to the Board any necessary changes; and
- to consider other topics or matters, as defined by the Board.

Nomination Committee

A Nomination Committee has been established with written terms of reference in compliance with the CG Code and in line with the Listing Rules requirements. The primary functions of the Nomination Committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of independent non-executive Directors.

As at the date of this report, the Nomination Committee comprises three independent non-executive Directors, namely Ms. Chen Mengsi, Ms. Jia Lixin and Mr. Chen Heyi and one executive Director, namely Mr. Qin Bohan (Committee Chairman).

The Nomination Committee meets at least once a year and the Nomination Committee will meet on other occasion when required.

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During the year ended 31 December 2025, one Nomination Committee meeting was held to recommend the re-appointment of the Directors standing for re-election at the annual general meeting of the Company, to assess the independence of the independent non-executive Directors and to review and assess the board diversity policy (the “**Board Diversity Policy**”) to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the year ended 31 December 2025. Individual attendance of each committee member at the meeting is as follows:

	Number of meetings attended/ eligible to attend
Executive Directors	
Mr. Qin Bohan (<i>Committee Chairman</i>) (<i>Note 1</i>)	N/A
Mr. Zhao Jingfei (<i>Note 2</i>)	1/1
Independent Non-executive Directors	
Ms. Jia Lixin	1/1
Ms. Chen Mengsi (<i>Note 3</i>)	1/1
Mr. Chen Heyi (<i>Note 4</i>)	N/A
Ms. Ye Duan (<i>Note 5</i>)	N/A
Ms. Han Yu (<i>Note 6</i>)	1/1

Notes:

1. Mr. Qin Bohan has been appointed as the chairman of the Nomination Committee with effect from 3 December 2025. No Nomination Committee meetings were held after his appointment.
2. Mr. Zhao Jingfei ceased to be chairman of the Nomination Committee with effect from 3 December 2025. One Nomination Committee meeting was held during his tenure of office.
3. Ms. Chen Mengsi has been appointed as a member of the Nomination Committee with effect from 21 January 2025. One Nomination Committee meeting was held after her appointment.
4. Mr. Chen Heyi has been appointed as a member of the Nomination Committee with effect from 13 January 2026.
5. Ms. Ye Duan has been appointed as a member of the Nomination Committee on 3 December 2025 and ceased to be a member of the Nomination Committee with effect from 26 January 2026. No Nomination Committee meeting was held during her tenure of office in 2025.
6. Ms. Han Yu ceased to be a member of each of the Nomination Committee with effect from 19 November 2025. One Nomination Committee meeting was held during her tenure of office.

The major roles and functions of the Nomination Committee are as follows:

- to review the structure, size and composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to implement and review the effectiveness of the Board Diversity Policy, as appropriate, recommend any revisions of the Board Diversity Policy to the Board; review the measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving the objectives on a regular basis; and disclose the Board Diversity Policy or a summary of such policy, in particular, the measurable objectives that it has set for implementing the Board Diversity Policy and the progress on achieving the objectives and its review results in the Company's corporate governance report annually;
- develop, review and disclose the policy for nomination of Directors;
- to establish mechanism(s) to ensure independent views and input are available to the Board and disclose such mechanism(s) in its Corporate Governance Report. The Board should review the implementation and effectiveness of such mechanism(s) on an annual basis;
- develop, review and disclose the policy for nomination of directors (the "**Nomination Policy**"), as appropriate, in the Company's corporate governance report annually. The Nomination Policy shall set out, *inter alia*, the nomination procedures, process and criteria to select and recommend candidates for directorship;
- to assess the independence of independent non-executive Directors;
- to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the CEO, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;
- where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:
 - (i) the process used for identify the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;
 - (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the board;

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- (iii) if the proposed independent non-executive director has served more than nine years, why the Board (or the Committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the Committee) in arriving such determination and such further appointment should be subject to a separate resolution to be approved by the shareholders of the Company;
 - (iv) the perspectives, skills and experience that the individual can bring to the Board; and
 - (v) how the individual contributes to diversity of the Board.
- Where all the independent non-executive directors of the Company have served more than nine years on the Board, the Company should:
 - (i) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and
 - (ii) appoint a new independent non-executive director on the Board at the forthcoming annual general meeting.
 - to review from time to time as appropriate the terms of reference of the Nomination Committee and recommend to the Board any necessary changes; and
 - to consider other topics or matters, as defined by the Board.

Nomination policy

The Nomination Committee adopts the following nomination procedures, process and criteria in selecting and recommending candidates for directorship to the Board.

Selection criteria

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations. Detailed information relating to educational, professional qualifications and relevant work experience are provided at the Board meeting to approve the proposed appointment of new Directors. The criteria for selecting Directors are mainly based on the candidate's qualifications, experience, professional knowledge, ethics and integrity.

Nomination procedures and process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedure and process:

- by giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing directors, advertising, recommendations from independent agency firms, and proposals from shareholders of the Company, with due consideration given to the criteria set out in the section titled “Selection Criteria” above;
- adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- the Board will have the final authority on determining the selection of nominees.

The ultimate decision of Board appointment will be based on reputation and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis and discuss any revisions that might be required, and recommend to the Board for consideration and approval.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. The Company has adopted a set of revised Board Diversity Policy on 31 December 2018 and amended on 30 December 2022 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. A summary of Board Diversity Policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

CORPORATE GOVERNANCE REPORT

The Directors have a balanced mix of knowledge, skills and experience, including the areas of business management, investment, accounting and financial management. They obtained academic diploma, degrees and masters in various majors, including economics, business, management and accounting. The Board currently comprises 7 executive Directors, 1 non-executive Director and 4 independent non-executive Directors, and the male Directors represent approximately 83.33% of the Board and the female Directors represent approximately 16.67% of the Board. Furthermore, the Board has a wide range of age, ranging from 30 years old to 68 years old.

Measurable objectives

In terms of implementing the Board Diversity Policy, there are the following measurable objectives:

- to comply with the requirements as specified under the Listing Rules from time to time in relation to composition of the Board;
- the number of independent non-executive Directors appointed must not be less than three and must represent at least one-third of the Board;
- at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and
- must appoint a Director of a different gender to avoid single gender board.

As at 31 December 2025, all the measurable objectives under the Board Diversity Policy have been fulfilled.

Monitoring and reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy.

The Board has reviewed the implementation and effectiveness of the Board Diversity Policy during the year and considered that it has been operating effectively and will continue to monitor its implementation and effectiveness on an annual basis.

As at the date of this report, the Board comprises twelve Directors. Four of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Gender diversity of workforce

The Company recognizes the importance of gender diversity and recruits employees at all levels based on merits. As of 31 December 2025, the ratio of male and female employees (including senior management) of the Company was 68.09% and 31.91%, respectively. The Company is committed to creating a fair, unbiased, equal and diversified recruitment and working environment.

At present, the Group does not set any targets for achieving gender diversity in the workforce (including senior management). Nevertheless, the Group's policies on human resources in the recruitment and promotion of employees would ensure candidates or employees are assessed based on objective factors such as their skills, knowledge, experience and performance, irrespective of their respective gender, race or religion, with the aim of facilitating a fair and equal working environment and opportunities.

DIVIDEND POLICY

The Board adopted a dividend policy on 31 December 2018. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

CORPORATE GOVERNANCE FUNCTIONS

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted on 21 March 2012 and revised on 30 December 2022 and is in compliance with paragraph A.2.1 of the CG Code. During the year ended 31 December 2025, the Board has discussed the corporate governance matters including a review of the corporate governance report for the year ended 31 December 2024.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company and ensure those consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors have also ensured the timely publication of the consolidated financial statements of the Company.

The Directors' responsibilities in preparing the consolidated financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report on pages 56 to 63 of this report.

GOING CONCERN

The Group incurred a substantial loss attributable to the owners of the Company of approximately HK\$15,655,000 for the year ended 31 December 2025 and had net current liabilities and deficiency in assets of approximately HK\$15,545,000 and HK\$17,372,000, respectively, as at 31 December 2025. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

Notwithstanding the aforesaid conditions, the consolidated financial statements for the year ended 31 December 2025 have been prepared on a going concern basis because the Directors have prepared a cash flow forecast of the Group and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from 31 December 2025 after taking into account of the measures detailed in note 2.1 to the consolidated financial statements.

The report of the independent auditor of the Company, Ascenda Cachet CPA Limited, for the year ended 31 December 2025, as set out in the “Independent Auditor’s Report” on pages 56 to 63 of this report, is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

The Audit Committee had critically reviewed the disclosure by the auditors on the material uncertainty relating to going concern, the management’s position and the measures implemented by the Group to address the issue. The Audit Committee is in agreement with the management of the Company with respect to the disclosure by the auditors and the Group’s ability to continue as a going concern, and in particular the measures implemented by the management of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining an effective system of internal control to safeguard shareholders’ investment and the Company’s assets. The internal control system is designed to provide reasonable assurance on the effectiveness and efficiency of operations, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records for producing reliable financial information. The Group adopts a risk management system which manages the risk associated with its business and operations. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The system comprises the following phases:

- Identification: to identify ownership of risks, business objectives and risks that could affect the achievement of objectives;
- Evaluation: to analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly; and
- Management: to consider the risk responses and to ensure effective communication to the Board and on-going monitoring of the residual risks.

Under Code Provision D.2.2 of the CG Code, the Group should have an internal audit function. The Group has reviewed the need for an internal audit department annually. Given the Group’s simple operating structure, the management is of the opinion that instead of setting up an internal audit department, it would be more cost effective to engage an independent external professional party to review on annual basis the internal control systems and measures of the Group and report to the Audit Committee members. The review covered the adequacy of resources, staff qualifications and experience, training programs, budget, internal audit, financial reporting functions and Listing Rules compliance. Major risk factors and recommendations were presented to the Audit Committee members for their consideration. Appropriate actions have been implemented accordingly to enhance the internal control system of the Group.

In order to maintain a high standard of corporate governance, the Company engaged an independent external consultant with professional staff in possession of relevant expertise to conduct an independent annual review of the risk management systems of the Group during the year. The report has been reviewed and approved by the Board and the Audit Committee. Appropriate actions have been implemented accordingly to enhance the risk management of the Group.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2025. The Board considers that the existing risk management and internal control systems of the Group are effective and adequate.

Procedures and internal control for handling and dissemination of inside information

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality covenants will be in place when the Group enters into significant negotiations. In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the Model Code.
- Inside information is announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/cidc/index.htm). The electronic publication system of the Stock Exchange is the first channel of dissemination of the Group's information before any other channel.

Whistleblowing policy

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") in May 2017. The Whistleblowing Policy allows employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in operation, financial reporting or other matters related to the Company. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters. The purpose of the Whistleblowing Policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behavior.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee or the human resource director of the Group. No incident of fraud or misconduct that have material effect on the Group's consolidated financial statements or overall operations for the year ended 31 December 2025 has been discovered.

The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Anti-corruption policy

The Board adopted an anti-corruption policy (the “**Anti-corruption Policy**”) in February 2022. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting its business. The Anti-corruption Policy forms an integral part of the Group’s corporate governance framework. The Anticorruption Policy sets out the specific behavioural guidelines that the Group’s personnel and business partners must follow to combat corruption. It demonstrates the Group’s commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group’s practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

CORPORATE COMMUNICATION

The Company endeavours to maintain good investor relationship with shareholders and potential investors by way of a number of communication channels including annual general meeting, extraordinary general meeting, publication of interim and annual reports and periodic announcements on the websites of the Company and the Stock Exchange, timely press releases on the Company’s website and shareholders of the Company may also direct their questions regarding their shareholding to the Company’s Hong Kong share registrar. A shareholder’s communication policy was adopted by the Board on 21 March 2012 and amended on 30 December 2022 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

The Board has conducted a review of the shareholder’s communication policy for the year ended 31 December 2025 to ensure the effectiveness of the shareholder’s communication policy. Such review shall be conducted annually. The Board considered that the shareholder’s communication policy for the year ended 31 December 2025 was effective.

Shareholders are encouraged to attend the annual general meeting for which a notice would be served in accordance with the Articles. Shareholders can raise questions and comments on the performance and future direction of the Company and exchange their views with the Board and the Chairman and/or Directors are available to answer questions on the Group’s business at the general meeting. At the general meeting, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

Under the Code Provision F.1.3 of the CG Code, the Chairman should attend the annual general meeting and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Zhao Jingfei (the co-chairman of the Board and chairman of the Nomination Committee at the time of annual general meeting), Mr. Fong Sze Chun (the co-chairman of the Board at the time of annual general meeting), Ms. Han Yu (the chairlady of the Audit Committee at the time of annual general meeting) and Ms. Chen Mengsi (the chairlady of the Remuneration Committee at the time of annual general meeting) attended the annual general meeting of the Company held on 3 June 2025.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company’s head office and principal place of business in Hong Kong at Room 06, 15/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

SHAREHOLDERS' RIGHT

Procedures for shareholders to convene an extraordinary general meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at the general meetings of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 58 of the Articles. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the Company's head office and principal place of business in Hong Kong at Room 06, 15/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at the general meeting of the Company by sending the same to the Company at the head office of the Company in Hong Kong.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Articles, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the general meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such extraordinary general meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for putting forward proposals at a general meeting

A shareholder shall make a written requisition to the Board or the company secretary at the Company's head office and principal place of business at Room 06, 15/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at the general meeting regarding any specified transaction/business and its supporting documents.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary at the Company's head office and principal place of business at Room 06, 15/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong or send email to 00264@chancogroup.com.

Shareholders may also make enquiries with the Board at the general meeting of the Company.

COMPANY SECRETARY

Mr. Chan Tsang Mo resigned as the company secretary of the Company with effect from 19 November 2025.

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("**Uni-1**"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Ms. Chan Yuen Ying Stella, the representative of Uni-1, was appointed as the named company secretary of the Company with effect from 19 November 2025.



CORPORATE GOVERNANCE REPORT

The company secretary is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regard to them when making decisions. The company secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan Yuen Ying Stella has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2025.

The primary corporate contact person at the Company is Mr. Leung Wai Kit, an executive Director.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there was no change in the Company's constitutional documents.



REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 5 to 9 and pages 10 to 16 of this report, respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including currency risk, interest rate risk, credit risk and liquidity risk. The financial risk management policies and practices of the Group are shown in note 31 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

For the year ended 31 December 2025, the Group was not subject to any environmental penalty. Details of the environmental, social and governance performance of the Group are set out in the environment, social and governance report which will be published on both the websites of the Company and the Stock Exchange.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025 and up to the date of this report, as far as the Company is aware, apart from the non-compliance with the Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules as set out in the "Corporate Governance Report" in this report, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operation.



REPORT OF THE DIRECTORS

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the year ended 31 December 2025, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

During the year ended 31 December 2025, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 64 to 131 of this report.

The Directors do not recommend any payment of final dividend to shareholders for the year ended 31 December 2025.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2025 are set out in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity on page 66 of this report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

There were no distributable reserves of the Company as at 31 December 2025. Under the Companies Act of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the memorandum and articles of association of the Company and no distribution or dividend may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's memorandum and articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

BANK LOANS AND OVERDRAFTS

The Group did not have bank loans and overdrafts as at 31 December 2025.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including the sale or transfer of treasury shares) during the year ended 31 December 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors of the Group are set out on pages 17 to 21 of this report.

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this report were:

Executive Directors

Mr. Qin Bohan (*Co-Chairman*)

Mr. Zhang Li (*Co-Chairman*) (*appointed on 26 January 2026*)

Mr. Fan Xin (*Chief Executive Officer*)

Mr. Leung Wai Kit

Mr. Ying Yong (*appointed on 14 January 2025*)

Mr. Lei Zhengbiao (*appointed on 28 October 2025*)

Mr. Ding Wentuo (*appointed on 13 January 2026*)

Mr. Zhao Jingfei (*resigned on 3 December 2025*) (*Note 1*)

Mr. Fong Sze Chun (*appointed on 9 April 2025 and resigned on 25 September 2025*) (*Note 2*)

Mr. Chiang Chien Chih (*appointed on 14 January 2025 and resigned on 14 January 2026*) (*Note 3*)

Mr. Jerome Jean Jacques Loubert (*appointed on 9 April 2025 and resigned on 25 September 2025*) (*Note 4*)

Non-executive Directors

Mr. Siu Miu Man, Simon, MH (*appointed as an executive Director on 25 September 2025 and re-designated as a non-executive Director on 26 January 2026*)

Mr. Chan Hau Him Howard (*appointed on 9 April 2025 and resigned on 25 September 2025*) (*Note 5*)

Independent Non-executive Directors

Ms. Jia Lixin

Ms. Chen Mengsi (*appointed on 21 January 2025*)

Mr. Peng Zuoquan (*appointed on 8 July 2025*)

Mr. Chen Heyi (*appointed on 13 January 2026*)

Ms. Han Yu (*resigned on 19 November 2025*) (*Note 6*)

Ms. Ye Duan (*appointed on 8 July 2025 and resigned on 26 January 2026*) (*Note 7*)

REPORT OF THE DIRECTORS

Notes:

1. Mr. Zhao Jingfei resigned as executive Director and co-chairman of the Company with effect from 3 December 2025 as he would like to spend more time pursuing his own business.
2. Mr. Fong Sze Chun resigned as an executive Director and co-chairman of the Company with effect from 25 September 2025, in order to devote more time to his personal endeavours.
3. Mr. Chiang Chien Chih resigned as executive Director with effect from 14 January 2026 as he would like to spend more time pursuing his own business.
4. Mr. Jerome Jean Jacques Loubert resigned as an executive Director with effect from 25 September 2025, in order to devote more time to his personal endeavours.
5. Mr. Chan Hau Him Howard resigned as a non-executive Director with effect from 25 September 2025, in order to devote more time to his personal endeavours.
6. Ms. Han Yu resigned as independent non-executive Director with effect from 19 November 2025 as she would like to spend more time pursuing her own business.
7. Ms. Ye Duan resigned as independent non-executive Director with effect from 26 January 2026 as she would like to spend more time pursuing her own business.

Pursuant to article 84(1) of the Articles, each of Ms. Jia Lixin and Ms. Chen Mengsi shall retire from office as Director at the forthcoming annual general meeting of the Company.

Pursuant to article 83(3) of the Articles, each of Mr. Zhang Li, Mr. Lei Zhengbiao, Mr. Ding Wentuo, Mr. Siu Miu Man, Simon, *MH*, Mr. Peng Zuoquan and Mr. Chen Heyi shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Each of the above retiring Directors, being eligible, will offer himself/herself for re-election.

DIRECTORS' SERVICE CONTRACTS

Details of service agreements or letters of appointment entered into by the Company with the Directors are as follows:

Each of the current executive Directors and non-executive Director entered into service agreement with the Company for a term of three years, and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of his appointment until terminated in accordance with the provisions under the service agreement. Each of the current executive Directors and non-executive Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Each of the current independent non-executive Directors entered into a letter of appointment with the Company for an initial term of three years, and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of his/her appointment until terminated in accordance with the provisions under the letter of appointment. Each of the current independent non-executive Directors is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Save as aforesaid, no Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in note 8 to the consolidated financial statements. Other than the waived fees disclosed in note 8(a) to the consolidated financial statements, there has been no arrangement under which any Director has waived or agreed to waive any emoluments during the year.

EMOLUMENT POLICY

The emoluments of the Directors and a state-managed retirement benefit scheme are recommended by the Remuneration Committee for the Board approval, having regard to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions, to determine the emoluments of the Directors during the year.

PENSION SCHEME

In Chinese Mainland, the Group contributes to a state-managed retirement benefit scheme on a monthly basis for its employees. The Group has no further obligation for payment of post retirement benefits to employees beyond the aforesaid contributions made by the Group.

The Group also participates in mandatory provident fund scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee. Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are each capped at HK\$1,500 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or substantial shareholders of the Company or their respective close associates (as defined in the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, during the year ended 31 December 2025 and up to the date of this report.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save as disclosed in this report, there were no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, holding companies and fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2025.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2025, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as known to the Directors, as at 31 December 2025, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or debentures of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding ⁽¹⁾
Waterfront Holding Group Co., Ltd.	Beneficial owner	232,096,406	50.27%
Mr. Zhao Jingfei	Interest of a controlled corporation	232,096,406	50.27%

Notes:

- (1) The percentage figures disclosed under “Approximate percentage of shareholding” are calculated based on 461,740,000 shares, being the number of total issued shares of the Company as of 31 December 2025.
- (2) These shares are held by Waterfront Holding Group Co., Ltd., which is wholly and beneficially owned by Mr. Zhao Jingfei. By virtue of the SFO, Mr. Zhao Jingfei is deemed to be interested in all the shares held by Waterfront Holding Group Co., Ltd.

Save as disclosed above, as at 31 December 2025, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the shares, the underlying shares or debentures of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003, the Company adopted a share option scheme (the “Share Option Scheme”). The Share Option Scheme expired on 17 February 2013 and the Company has not adopted any new share option scheme thereafter.

There was no outstanding share option of the Company under the Share Option Scheme as at 1 January 2025 and 31 December 2025.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2025 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

SHARES ISSUED

During the year ended 31 December 2025, an aggregate of 39,024,000 shares of the Company had been issued and allotted. The Company further issued and allotted 12,916,000 shares after the year ended 31 December 2025. For details, please refer to the section headed "Share Capital and Fund Raising Activities" in the Management Discussion and Analysis.

DEBENTURES ISSUED

The Group did not issue any debenture during the year ended 31 December 2025.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2025, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2025.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2025 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	35%
– five largest suppliers combined	73%
Sales	
– the largest customer	16%
– five largest customers combined	59%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.



REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and Code Provisions set out in the CG Code contained in Appendix C1 of the Listing Rules.

In the opinion of the Directors, the Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 December 2025 except for the deviations set out in the "Corporate Governance Report" of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. The Audit Committee currently comprises Mr. Chen Heyi (Committee Chairman), Ms. Jia Lixin and Ms. Cheng Mengsi. The Audit Committee has reviewed and discussed with the management and the external auditor the financial reporting matters including the annual results for the year ended 31 December 2025.

SUBSIDIARIES

Particulars of Company's subsidiaries as at 31 December 2025 are set out in note 1 to the consolidated financial statements.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this report, there were (i) no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor (ii) any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2025.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2025, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the related party transactions of the Group are set out in note 25 to the consolidated financial statements. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the year ended 31 December 2025.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company's securities.

AUDITOR

There was no change in auditor during the past three years. The consolidated financial statements for the year ended 31 December 2025 have been audited by Ascenda Cachet CPA Limited. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Ascenda Cachet CPA Limited as the auditor of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the eligibility of the shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 5 June 2026, the register of members of the Company will be closed from Tuesday, 2 June 2026 to Friday, 5 June 2026, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2026. The record date for ascertaining shareholders' entitlement to attend and vote at the annual general meeting is Friday, 5 June 2026.

On behalf of the Board

Qin Bohan

Co-Chairman and Executive Director

Hong Kong, 31 March 2026

INDEPENDENT AUDITOR'S REPORT



Unit 1519, 15/F
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

TO THE MEMBERS OF CHINA INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China International Development Corporation Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 64 to 131, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards (“**HKFRSs**”) as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) as applicable to audits of financial statements of public interest entities. We have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a substantial loss attributable to the owners of the Company of approximately HK\$15,655,000 for the year and had net current liabilities and deficiency in assets of approximately HK\$15,545,000 and HK\$17,372,000, respectively, as at 31 December 2025. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN (CONTINUED)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the directors (the “**Directors**”) of the Company have prepared a cash flow forecast of the Group and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from 31 December 2025 after taking into account of the following measures:

- (i) As part of the management continuous efforts to strengthen the Company’s capital base and the Group’s working capital position, during the year, the Company successfully completed the placing of (a) 9,024,000 new shares at a placing price of HK\$1.78 per share on 18 March 2025, (b) 15,000,000 new shares at a placing price of HK\$1.42 per share on 17 September 2025 and (c) 15,000,000 new shares at a placing price of HK\$1.75 per share on 27 October 2025, raising net proceeds of approximately (a) HK\$15,620,000, (b) HK\$20,800,000 and (c) HK\$25,550,000, respectively. In addition, subsequent to the end of the reporting period, (i) on 27 January 2026, the Company successfully completed the placing of 12,916,000 new shares at a placing price of HK\$2.16 per share, raising net proceeds of approximately HK\$27,140,000, and (ii) on 17 March 2026, the Company entered into a placing agreement with a placing agent for the placing of 25,000,000 new shares at a placing price of HK\$1.83 per share, with expected net proceeds of approximately HK\$44,570,000 (the “**March 2026 Placing**”). In view of the successful fund raising experiences and connections of the management in the capital market, the Directors consider that the Group will continue and is able to seek for alternative capital and other funding sources on an ongoing basis.
- (ii) The Group has expanded its principal businesses, including the sales of lifestyle consumer products during the year ended 31 December 2025. The Group continues to revitalise its business strategies and plans in order to improve the Group’s principal businesses and thus its financial performance. In addition, the Group remains committed to implement stringent cost management measures with continuous efforts to optimise operational efficiency and minimise the cash outflow of non-essential items. The Directors consider that the revitalised business strategies, plans and cost management measures, if materialised, could improve the Group’s revenue, financial performance and financial position.

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financing to the Group under the March 2026 Placing and to result in favourable outcome from the revitalised business strategies, plans and cost management measures devised by the Directors, which indicates the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to the recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. We consider that the fundamental uncertainty has been properly disclosed in the consolidated financial statements. Our report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

1. Impairment assessment of the Group's property, plant and equipment

Reference is made to notes 2.4(c) and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, respectively and note 12 to the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
<p>Included in the Group's property, plant and equipment ("PPE") were PPE in relation to its automobile services business (the "Automobile PPE") with carrying amount of approximately HK\$1,777,000 as at 31 December 2025.</p> <p>PPE are written down to their recoverable amounts if their carrying amounts are higher than the recoverable amounts. The recoverable amounts of the PPE were determined by the value in use of the PPE by using the discounted cash flow projections in the relevant valuations.</p> <p>For the purpose of performing the impairment assessment of the Automobile PPE, the Directors assessed the recoverable amounts of the Automobile PPE by value in use calculations based on its cash flow forecast (the "VIU Valuation") prepared by the management.</p> <p>Significant management judgement and estimation was used to determine the key assumptions underlying the discounted cash flow projections, including the growth rates, gross profit margin, discount rate and future business plan.</p> <p>Based on the impairment assessment with reference to the VIU Valuation, no provision for impairment of the Automobile PPE was considered necessary for the year ended 31 December 2025.</p> <p>For the above reasons, we identified the impairment assessment of the Automobile PPE as a key audit matter.</p>	<p>Our procedures in relation to Directors' assessment of the impairment of the Group's Automobile PPE included:</p> <ul style="list-style-type: none"> – Discussing with the Directors to understand the basis of valuation approach and methodology used in the cash flow forecast and the VIU Valuation; – Challenging the Directors on the adoption of the assumptions and estimations in the cash flow forecast and the VIU Valuation; – Evaluating the reasonableness and appropriateness of the cash flow forecast and the VIU Valuation and the assumptions, information and parameters used in the models, including the growth rates, gross profit margin, discount rate and future business plan used by the Directors in assessing the recoverable amounts of the Automobile PPE; and – Recalculating the recoverable amounts of the Automobile PPE and assessing the sufficiency of the impairment, if any, as at 31 December 2025.

KEY AUDIT MATTERS (CONTINUED)

2. *Loss allowance for impairment of trade receivables*

Reference is made to notes 2.4(e) and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, respectively and note 14 to the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
<p>The carrying amount of the Group's trade receivables was approximately HK\$3,407,000 (net of accumulated impairment of HK\$493,000) as at 31 December 2025.</p> <p>The Group has applied the simplified approach for determining the expected credit loss ("ECL") on trade receivables, which are assessed individually for customers which are credit impaired and collectively using a provision matrix.</p> <p>For the purpose of assessment of the ECL, the Directors engaged an independent valuer (the "Valuer") to perform a valuation (the "ECL Valuation") regarding ECL allowance for impairment of trade receivables based on management's assumptions. Significant management judgement and estimation was used to determine the key assumptions underlying the ECL Valuation, including (i) the historical loss rates; and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL Valuation. The Group calibrates the matrix to adjusting the historical credit loss experience with forward-looking factors.</p> <p>Based on the ECL Valuation, the Group wrote back ECL allowance for impairment of trade receivables of approximately HK\$438,000 for the year ended 31 December 2025.</p> <p>For the above reasons, we identified the ECL allowance for impairment of trade receivables as a key audit matter.</p>	<p>Our procedures in relation to the Directors' assessment of the ECL allowance for impairment of the Group's trade receivables included:</p> <ul style="list-style-type: none"> – Discussing with the Directors and the Valuer to understand the basis of approach and methodology of the ECL Valuation; – Challenging the Directors and the Valuer on the adoption of the assumptions and estimations in the ECL Valuation; – Evaluating the independence, professionalism and accuracy of the work performed by the Valuer; – Evaluating the reasonableness and appropriateness of the ECL Valuation and the assumptions, information and parameters used in the model, including the historical loss rates and forward-looking factors; – Checking the information used by the management and the Valuer to develop the provision matrix including ageing analysis of trade receivables, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; – Checking settlements subsequent to the end of the reporting period relating to the trade receivables as at 31 December 2025 on a sample basis; and – Recalculating the ECL allowance for impairment of trade receivables, and assessing the sufficiency of the ECL allowance, if any, as at 31 December 2025.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Chan Yuk Tong.

Ascenda Cachet CPA Limited

Certified Public Accountants

Chan Yuk Tong

Practising Certificate Number P03723

Hong Kong

31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	5	59,295	21,961
Cost of sales	7	(45,109)	(15,360)
Gross profit		14,186	6,601
Other income	5	2,653	288
Selling and distribution costs		(1,731)	(1,910)
Administrative and other operating expenses		(29,777)	(16,516)
Write-back of/(Provision for) impairment of trade receivables	14	438	(880)
Provision for impairment of other receivables	15	–	(11)
Provision for impairment of right-of-use assets	22(a)	–	(1,553)
Finance costs	6	(3,149)	(3,091)
Loss before tax	7	(17,380)	(17,072)
Income tax expense	9	(850)	–
Loss for the year		(18,230)	(17,072)
Loss attributable to:			
Owners of the Company		(15,655)	(17,062)
Non-controlling interests		(2,575)	(10)
		(18,230)	(17,072)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of operations outside Hong Kong		(277)	34
Other comprehensive income for the year		(277)	34
Total comprehensive income for the year		(18,507)	(17,038)
Attributable to:			
Owners of the Company		(15,948)	(17,028)
Non-controlling interests		(2,559)	(10)
		(18,507)	(17,038)
Loss per share attributable to owners of the Company			
– Basic and diluted	11	HK(3.6) cents	HK(4.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	12	2,268	–
Right-of-use assets	22(a)	–	–
Total non-current assets		2,268	–
Current assets			
Inventories	13	1,174	2,010
Trade receivables	14	3,407	5,298
Prepayments, deposits and other receivables	15	5,132	2,741
Cash and cash equivalents	16	27,966	829
Total current assets		37,679	10,878
Current liabilities			
Trade payables	17	4,661	4,766
Other payables and accruals	18	23,323	25,186
Due to ultimate controlling shareholder	19	216	11,470
Due to a director	19	–	307
Due to related companies	19	1,739	1,600
Tax payable	9	873	–
Loan from a director	20	8,000	8,000
Loans from ultimate controlling shareholder	21	14,161	4,458
Lease liabilities	22(b)	251	3,957
Total current liabilities		53,224	59,744
Net current liabilities		(15,545)	(48,866)
Total assets less current liabilities		(13,277)	(48,866)
Non-current liabilities			
Loans from ultimate controlling shareholder	21	4,095	12,768
Lease liabilities	22(b)	–	387
Total non-current liabilities		4,095	13,155
Net liabilities		(17,372)	(62,021)
Deficiency in assets			
Attributable to the owners of the Company			
Share capital	23	4,617	4,227
Reserves	24	(19,472)	(66,238)
		(14,855)	(62,011)
Non-controlling interests		(2,517)	(10)
Total deficiency in assets		(17,372)	(62,021)

On behalf of the Board

Qin Bohan
Executive Director

Fan Xin
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital	Share premium	Capital reserve	Translation reserve	Statutory and discretionary reserves	Accumulated losses	Total	Non-controlling interest	
	HK\$'000 (note 23)	HK\$'000 (note 24(i))	HK\$'000 (note 24(ii))	HK\$'000 (note 24(iii))	HK\$'000 (note 24(iv))	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2024	4,127	90,471	5,937	3,358	5,249	(168,467)	(59,325)	-	(59,325)
Loss for the year	-	-	-	-	-	(17,062)	(17,062)	(10)	(17,072)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	34	-	-	34	-	34
Total comprehensive income for the year	-	-	-	34	-	(17,062)	(17,028)	(10)	(17,038)
Issue of shares (note 23)	100	10,112	-	-	-	-	10,212	-	10,212
Share issue expenses (note 23)	-	(436)	-	-	-	-	(436)	-	(436)
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	-	-	4,566	-	-	-	4,566	-	4,566
At 31 December 2024 and 1 January 2025	4,227	100,147	10,503	3,392	5,249	(185,529)	(62,011)	(10)	(62,021)
Loss for the year	-	-	-	-	-	(15,655)	(15,655)	(2,575)	(18,230)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	(293)	-	-	(293)	16	(277)
Total comprehensive income for the year	-	-	-	(293)	-	(15,655)	(15,948)	(2,559)	(18,507)
Issue of shares (note 23)	390	63,223	-	-	-	-	63,613	-	63,613
Share issue expenses (note 23)	-	(1,714)	-	-	-	-	(1,714)	-	(1,714)
Acquisition of subsidiaries	-	-	-	-	-	-	-	52	52
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	-	-	1,205	-	-	-	1,205	-	1,205
At 31 December 2025	4,617	161,656	11,708	3,099	5,249	(201,184)	(14,855)	(2,517)	(17,372)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Loss before tax		(17,380)	(17,072)
Adjustments for:			
Interest income	5	(2)	(1)
Finance costs	6	3,149	3,091
Depreciation of property, plant and equipment	7 & 12	128	–
Depreciation of right-of-use assets	7 & 22(a)	–	128
Provision for impairment of right-of-use assets	22(a)	–	1,553
(Write-back of)/Provision for impairment of trade receivables	7 & 14	(438)	880
Provision for impairment of other receivables	7 & 15	–	11
Write-back of trade payables	5	(344)	–
Write-back of other payables and accruals	5	(1,408)	(20)
Provision for onerous short-term lease contracts	7 & 22(c)	–	1,755
Gain on modification of lease	5	(890)	–
Operating loss before working capital changes		(17,185)	(9,675)
Decrease in inventories		836	2,584
Decrease/(Increase) in trade receivables		2,329	(650)
(Increase)/Decrease in prepayments, deposits and other receivables		(2,391)	162
Increase in trade payables		239	1,666
Decrease in other payables and accruals		(403)	(526)
Cash used in operations		(16,575)	(6,439)
Income tax paid		–	–
Net cash used in operating activities		(16,575)	(6,439)
Cash flows from investing activities			
Additions to property, plant and equipment	12	(2,343)	–
Interest received		2	1
Net cash (used in)/from investing activities		(2,341)	1
Cash flows from financing activities			
(Payments to)/Advances from a director	27(b)	(307)	307
(Payments to)/Advances from ultimate controlling shareholder	27(b)	(11,254)	573
Repayment of loans from ultimate controlling shareholder	27(b)	(1,000)	–
Advances from a related company	27(b)	57	–
Payments of principal portion of lease liabilities	27(b)	(3,272)	(3,418)
Payments of interest portion of lease liabilities	27(b)	(237)	(588)
Proceeds from issue of shares	23	63,613	10,212
Share issue expenses	23	(1,714)	(436)
Net cash from financing activities		45,886	6,650
Net increase in cash and cash equivalents		26,970	212
Cash and cash equivalents at beginning of year		829	997
Effect of exchange rate changes on cash and cash equivalents		167	(380)
Cash and cash equivalents at end of year			
Represented by cash and bank balances	16	27,966	829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

1. GENERAL

China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in (i) manufacturing and distribution of leather products (the “**Leather Manufacturing Business**”); (ii) retail of fashion apparel, footwear and leather accessories (the “**Leather Retail Business**”); (iii) the industrial hemp planting and production of hemp fabric products (the “**Industrial Hemp Planting Business**”) and (iv) provision of automobile services and sales of related products (the “**Automobile Services Business**”). During the year, the Group has expanded its business into the sales of lifestyle consumer products (the “**Lifestyle Consumer Business**”).

The directors (the “**Directors**”) of the Company considered that Waterfront Holding Group Co., Ltd. (“**Waterfront**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, is the immediate holding company of the Company and its ultimate controlling shareholder is Mr. Zhao Jingfei (“**Mr. Zhao**”), a former executive Director and the former Chairman of the Company. The registered office of Waterfront is located at Sertus Chambers, PO Box 905, Quastisky Building, Road Town, Tortola, BVI. Subsequent to the end of the reporting period, in January 2026, Waterfront disposed certain of its shares in the Company and ceased to be the holding company of the Company.

Information about subsidiaries

Details of the Company’s subsidiaries as at 31 December 2025 are as follows:

Name	Place of incorporation or establishment/ operations	Issued share capital/Paid-up registered capital	Attributable equity interest held by the Company ^a		Principal activities
			Directly	Indirectly	
Grandeur Smart Enterprises Limited (note (a))	The BVI/ Hong Kong	Ordinary shares US\$1,000	100%	–	Investment holding
Sun Ray Manufactory, Limited	Hong Kong	Non-voting deferred shares HK\$6 Ordinary shares HK\$2	–	100%	Trading of leather products
東莞思捷皮具有限公司 Dongguan Sze Cheik Leather Goods Company Limited (note (a))	Chinese Mainland	Paid up registered capital HK\$5,000,000	–	100%	Manufacturing and trading of leather products
Elite Leatherware Company Limited	Hong Kong	Ordinary shares HK\$10,000	–	100%	Trading of leather products and retail of leather accessories
Talent Union Development Limited (note (a))	The BVI/ Hong Kong	Ordinary shares US\$8	–	100%	Investment holding

1. GENERAL (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ operations	Issued share capital/Paid-up registered capital	Attributable equity interest held by the Company ^a		Principal activities
			Directly	Indirectly	
東莞藝聯皮具有限公司 Dongguan Ngai Luen Leather Goods Company Limited (note (a))	Chinese Mainland	Paid up registered capital HK\$5,600,000	–	100%	Manufacturing and trading of leather products
Urban Stranger Company Limited	Hong Kong	Ordinary shares HK\$1	–	100%	Retail of fashion apparel, footwear and leather accessories
雲南貴素商貿有限公司 (note (a))	Chinese Mainland	Registered capital HK\$21,768,600 Paid up capital Nil	100%	–	Investment holding
雲南貴素生物科技有限公司 (note (a))	Chinese Mainland	Registered capital RMB19,880,000 Paid up capital Nil	–	100%	Industrial hemp planting and hemp fabric product production
Straight Runway Limited (note (a))	The BVI/ Hong Kong	Ordinary shares US\$100	100%	–	Investment holding
Straight Runway Enterprises Limited	Hong Kong	Ordinary shares HK\$100	–	100%	Trading of goods and products (2024: Investment holding)
Flex Fuel Eco Company Limited	Hong Kong	Ordinary shares HK\$100	–	51%	Investment holding and provision of automobile services
法氫新能源(深圳)有限公司 FlexFuel Hydrogen Development (Shenzhen) Company Limited (notes (a) & (b))	Chinese Mainland	Registered capital RMB10,000,000 Paid up capital RMB5,200,000	–	51% (2024: nil)	Investment holding and provision of automobile services
氫潔環保科技(深圳)有限公司 (notes (a) & (b))	Chinese Mainland	Registered capital RMB2,000,000 Paid up capital RMB100,000	–	26% (2024: nil)	Provision of automobile services
Zhiyu Meta Global Holdings Limited (notes (a) & (b))	The BVI/ Hong Kong	Ordinary shares US\$100	–	100% (2024: nil)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

1. GENERAL (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ operations	Issued share capital/Paid-up registered capital	Attributable equity interest held by the Company [#]		Principal activities
			Directly	Indirectly	
Zhiyu Meta Global Company Limited (note (b))	Hong Kong	Ordinary shares HK\$500,000	-	100% (2024: nil)	Investment holding
廣州智馭商貿有限公司 (notes (a) & (b))	Chinese Mainland	Registered capital RMB100,000,000 Paid up capital Nil	-	60% (2024: nil)	Trading of goods and products

Notes:

(a) Ascenda Cachet CPA Limited is not the statutory auditor of these subsidiaries.

(b) These subsidiaries were newly incorporated/acquired during the year ended 31 December 2025.

[#] All the percentages of equity attributable to the Company remain unchanged from the previous year except when otherwise indicated.

None of the subsidiaries had any debt securities subsisting at the end of respective reporting periods or at any time during the year.

2. ACCOUNTING POLICIES

2.1 Basis of preparation and consolidation

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of a majority number of operating subsidiaries in the Group and all values are rounded to the nearest thousand except when otherwise indicated.

The Group incurred a substantial loss attributable to the owners of the Company of approximately HK\$15,655,000 for the year ended 31 December 2025 and had net current liabilities and deficiency in assets of approximately HK\$15,545,000 and HK\$17,372,000, respectively, as at 31 December 2025. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation and consolidation (Continued)

Basis of preparation (Continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Directors have prepared a cash flow forecast of the Group and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from 31 December 2025 after taking into account of the following measures:

- (i) As part of the management continuous efforts to strengthen the Company's capital base and the Group's working capital position, during the year, the Company successfully completed the placing of (a) 9,024,000 new shares at a placing price of HK\$1.78 per share on 18 March 2025, (b) 15,000,000 new shares at a placing price of HK\$1.42 per share on 17 September 2025 and (c) 15,000,000 new shares at a placing price of HK\$1.75 per share on 27 October 2025, raising net proceeds of approximately (a) HK\$15,620,000, (b) HK\$20,800,000 and (c) HK\$25,550,000, respectively. In addition, subsequent to the end of the reporting period, (i) on 27 January 2026, the Company successfully completed the placing of 12,916,000 new shares at a placing price of HK\$2.16 per share, raising net proceeds of approximately HK\$27,140,000, and (ii) on 17 March 2026, the Company entered into a placing agreement with a placing agent for the placing of 25,000,000 new shares at a placing price of HK\$1.83 per share with expected net proceeds of approximately HK\$44,570,000 (the "**March 2026 Placing**"). In view of these successful fund raising experiences and connections of the management in the capital market, the Directors consider that the Group will continue and is able to seek for alternative capital and other funding sources on an ongoing basis; and
- (ii) The Group has expanded its principal businesses, including the sales of lifestyle consumer products during the year ended 31 December 2025. The Group continues to revitalise its business strategies and plans in order to improve the Group's principal businesses and thus its financial performance. In addition, the Group remains committed to implement stringent cost management measures with continuous efforts to optimise operational efficiency and minimise the cash outflow of non-essential items. The Directors consider that the revitalised business strategies, plans and cost management measures, if materialised, could improve the Group's revenue, financial performance and financial position.

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financing to the Group under the March 2026 Placing and to result in favourable outcome from the revitalised business strategies, plans and cost management measures devised by the Directors, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to the recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation and consolidation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2025. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interests and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

The Group has adopted amendments to HKAS 21 “Lack of Exchangeability” for the first time for the current year’s consolidated financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, for translation into the Group’s presentation currency were exchangeable, the amendments did not have any impact on the Group’s consolidated financial statements.

2.3 Issued but not yet effective HKFRS Accounting Standards

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective HKFRS Accounting Standards (Continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective HKFRS Accounting Standards (Continued)

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 Financial Instruments: Disclosures:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.
- **HKFRS 9 Financial Instruments:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.
- **HKFRS 10 Consolidated Financial Statements:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective HKFRS Accounting Standards (Continued)

- HKAS 7 Statement of Cash Flows: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group’s consolidated financial statements.

2.4 Material accounting policies

(a) *Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and non-current assets classified as held for sale), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of corporate assets (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(b) Related parties

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value, as follows:

Plant and machinery	30% using reducing balance method
Furniture and fixtures	10%–20% using reducing balance method
Leasehold improvements	Annual rates as determined by shorter of expected useful lives and the unexpired period of the leases, using straight line method
Motor vehicles	30% using reducing balance method

The annual rates, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(d) Leases

The Group assesses at contract inception whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases which at the commencement date have a lease term no more than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Depreciation is calculated using the shorter of the lease terms and the estimated useful lives of the assets on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(d) Leases (Continued)

Group as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(e) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(e) Investments and other financial assets (Continued)

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(e) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(e) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(f) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to a director, the ultimate controlling shareholder and a related company and loans from a director and the ultimate controlling shareholder.

Subsequent measurement

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(f) Financial liabilities (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at bank, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for all purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's management.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(i) Revenue recognition (Continued)

i. Sales of goods

Revenue from sales of goods is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by customers. For retail of fashion apparel, footwear and leather accessories, revenue is recognised when the customer has taken possession of and accepted the goods. The corresponding trade receivable or cash received are recognised in the consolidated financial statements as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days for sales of goods. For certain customers such as new customers, deposits paid in advance are required before goods are delivered. No credit term is granted to customers from retail of fashion apparel, footwear and leather accessories and cash or credit card payment is required upon goods received by customers.

The Group's contracts with customers generally do not provide customers a right of return (a right to exchange another product or right to refund in cash). Customers from retail of fashion apparel, footwear and leather accessories are allowed customers to exchange for another product within 7 days after the sale, while cash is not refundable. However, from past experience, return of products seldom occurs as goods sold to customers generally meet the objective specifications required by customers or the customers have accepted the goods when they have taken possession of the goods and made payments. Any necessary costs incurred in replacement or rectification of defective goods sold are insignificant to the consolidated financial statements. No warranty is provided by the Group for goods sold to customers.

The Group gives certain on-spot discount on selling price to those customers from retail of fashion apparel, footwear and leather accessories who purchased over a specific amount in a single transaction and revenue was recognised after netting-off with sales discounts. The discounts are offered immediately to the eligible sale transaction and are not allowed to be carried forward to future purchases by the customer.

ii. Services income

Revenue from provision of automobile services is recognised at a point in time when the related services have been rendered to the customers.

iii. Interest income

Interest income is recognised as it accrues using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(j) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(k) Income taxes

Income taxes comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(k) Income taxes (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxable entity on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(i) *Foreign currency*

These consolidated financial statements are presented in HK\$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK\$ at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss are translated into HK\$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in the consolidated statement of comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(m) Employee benefits

i. Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

ii. Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

iii. Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for inventories

The Group carries out an inventory review at the end of each reporting period and estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions as well as make allowance for obsolete and slow-moving inventories. Such estimates could change significantly as a result of changes in economic conditions and customers taste. Where the subsequent estimated net realisable value and/or allowance for obsolete and slow-moving inventories differs from the original estimate, a provision or reversal of provision may be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Impairment loss on trade receivables

The assessment of impairment losses on financial assets measured at amortised cost is performed based on expected credit losses (“ECLs”) model as detailed in the accounting policies and note 2.4(e) to the consolidated financial statements.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group’s historical loss rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking factors. At each reporting date, the historical loss rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical loss rates, forecast economic conditions and ECLs is a significant estimate. Any change in the estimates, assumptions and inputs adopted in the assessment would increase or decrease the impairment losses for the year and affect the Group’s net asset value. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 14 to the consolidated financial statements.

Estimation of the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. In addition, the IBR is used to measure the interest-free loans from the ultimate controlling shareholder at amortised cost. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Impairment of property, plant and equipment and right-of-use assets

The management of the Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets at the end of each reporting period. The property, plant and equipment and right-of-use assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated useful lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group, the fundings from placing of new shares subsequent to the end of the reporting period, and the possible favourable outcome result from the revitalised business strategies, plans and cost management measures devised by the Directors. Such forecast about the future inherently involves various estimation, assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of (i) the Leather Manufacturing Business; (ii) the Leather Retail Business; (iii) the Industrial Hemp Planting Business; (iv) the Automobile Services Business; and (v) the Lifestyle Consumer Business, which was commenced during the year. However, the Industrial Hemp Planting Business did not form a separate reportable segment during the years as it has not built its scale and was considered immaterial by the management of the Group.

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

The Group has four (2024: three) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's segments:

Leather Manufacturing Business	–	Manufacturing and distribution of leather products
Leather Retail Business	–	Retail of fashion apparel, footwear and leather accessories
Automobile Services Business	–	Provision of automobile services and sales of related products
Lifestyle Consumer Business*	–	Sales of lifestyle consumer products

* Commenced during the year

The Group's senior executive management, being the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income as well as corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable and unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

(a) Reportable segments

	Leather		Leather		Automobile		Lifestyle Consumer		Total	
	Manufacturing Business		Retail Business		Services Business		Business			
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	32,099	21,433	236	522	2,573	6	24,387	-	59,295	21,961
Inter-segment revenue	-	-	1,676	-	-	-	-	-	1,676	-
Reportable segment revenue	32,099	21,433	1,912	522	2,573	6	24,387	-	60,971	21,961
Reportable segment profit/(loss)	4,781	(4,526)	(1,456)	(2,004)	(5,256)	(20)	1,337	-	(594)	(6,550)
Depreciation of property, plant and equipment	4	-	-	-	118	-	6	-	128	-
Depreciation of right-of-use assets	-	128	-	-	-	-	-	-	-	128
Finance cost	232	539	5	49	-	-	-	-	237	588
Provision for/(Write-back) of impairment of trade and other receivables, net	(583)	891	-	-	7	-	138	-	(438)	891
Impairment of property, plant and equipment and right-of-use assets	-	1,553	-	-	-	-	-	-	-	1,553
Additions to non-current assets (note)	265	1,681	-	-	1,845	-	233	-	2,343	1,681
Reportable segment assets	62,674	55,856	351	480	5,814	7	19,338	-	88,177	56,343
Reportable segment liabilities	47,172	29,850	49,922	50,303	11,007	26	17,181	-	125,282	80,179

Note: Including additions to property, plant and equipment and right-of-use assets.

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) *Reconciliation of reportable segment revenue, loss, assets and liabilities*

	2025 HK\$'000	2024 HK\$'000
Revenue		
Reportable segment revenue	60,971	21,961
Elimination of inter-segment revenue	(1,676)	–
Consolidated revenue	59,295	21,961
Loss before tax		
Reportable segment loss	(594)	(6,550)
Interest income	2	1
Unallocated corporate expenses (note (i))	(16,788)	(10,523)
Consolidated loss before tax	(17,380)	(17,072)
Depreciation of property, plant and equipment		
Reportable segment depreciation	128	–
Depreciation of unallocated property, plant and equipment	–	–
Consolidated depreciation of property, plant and equipment	128	–
Depreciation of right-of-use assets		
Reportable segment depreciation	–	128
Depreciation of unallocated right-of-use assets	–	–
Consolidated depreciation of right-of-use assets	–	128

4. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Reconciliation of reportable segment revenue, loss, assets and liabilities (Continued)

	2025 HK\$'000	2024 HK\$'000
Finance costs		
Reportable segment finance cost	237	588
Imputed interest on loans from ultimate controlling shareholder	2,912	2,503
Consolidated finance costs	3,149	3,091
Impairment of trade and other receivables		
Reportable segment impairment (write back)/provision	(438)	891
Unallocated impairment of trade and other receivables	-	-
Consolidated impairment (write back of)/provision for trade and other receivables	(438)	891
Impairment of property, plant and equipment and right-of-use assets		
Reportable segment impairment	-	1,553
Unallocated impairment of property, plant and equipment and right-of-use assets	-	-
Consolidated impairment of property, plant and equipment and right-of-use assets	-	1,553
Additions to non-current assets (note (ii))		
Reportable segment additions	2,343	1,681
Unallocated additions to non-current assets	-	-
Consolidated additions to non-current assets	2,343	1,681
Assets		
Reportable segment assets	88,177	56,343
Elimination of inter-segment and head office's receivables	(51,502)	(46,073)
Unallocated corporate assets	3,272	608
Consolidated total assets	39,947	10,878
Liabilities		
Reportable segment liabilities	125,282	80,179
Elimination of inter-segment and head office's payables	(116,521)	(65,217)
Unallocated corporate liabilities	48,558	57,937
Consolidated total liabilities	57,319	72,899

Notes:

- (i) The amount represented unallocated corporate expenses that are not allocated to operating segments, including professional fees, directors' emoluments, employee costs, foreign exchange loss and other head office expenses as well as the expenses incurred in the Industrial Hemp Planting Business.
- (ii) Including additions to property, plant and equipment and right-of-use assets.

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The following table provides an analysis of the Group's revenue from external customers and non-current assets, i.e. property, plant and equipment and right-of-use assets.

	Revenue from external customers (note)		Non-current assets	
	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong, China	28,239	8,960	128	–
The United States	–	935	–	–
Europe	8,278	9,887	–	–
Chinese Mainland	22,778	461	2,140	–
Other countries	–	1,718	–	–
Total	59,295	21,961	2,268	–

Note: Revenues are attributed to geographical locations based on the customers' location (place of domicile).

(d) Information about major customers

Revenue from a customer that contributing over 10% of the total revenue of the Group is as follows:

	2025	2024
	HK\$'000	HK\$'000
Customer A [^]	9,283	–
Customer B [^]	8,247	–
Customer C [*]	6,853	– [#]
Customer D [*]	–	7,830
Customer E [*]	– [#]	5,654
	24,383	13,484

[^] Customer arising from the Lifestyle Consumer Business segment

^{*} Customer arising from the Leather Manufacturing Business segment

[#] Revenue from this customer was less than 10% of the Group's total revenue

The Group's customer base is highly concentrated. Revenue may significantly decline if the Group loses one or more of its major customers. The Group seeks to diversify the Group's product portfolio and widen the customer base to reduce the concentration risk.

5. REVENUE AND OTHER INCOME

The principal activities of the Group are manufacturing and distribution of leather products, retail of fashion apparel, footwear and leather accessories, the industrial hemp planting and production of hemp fabric products and provision of automobile services and sales of related products. During the year, the Group has expanded its business into the sales of lifestyle consumer products. However, the industrial hemp planting and production of hemp fabric products is still in a preliminary development stage and no revenue has been generated during the years.

An analysis of revenue is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with external customers		
Manufacturing and distribution of leather products	32,099	21,433
Retail of fashion apparel, footwear and leather accessories	236	522
Provision of automobile services and sales of related products	2,573	6
Sales of lifestyle consumer products	24,387	–
	59,295	21,961

(i) Disaggregated revenue information

	2025 HK\$'000	2024 HK\$'000
Timing of revenue recognition		
Manufacturing and distribution of leather products recognised when control of goods is transferred	32,099	21,433
Retail of fashion apparel, footwear and leather accessories when control of goods is transferred	236	522
Provision of automobile services and sales of related products when services are rendered/control of products is transferred	2,573	6
Sales of lifestyle consumer products recognised when control of products is transferred	24,387	–
Goods and services transferred at a point in time	59,295	21,961

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

Manufacturing and distribution of leather products

The performance obligation is satisfied at a point in time upon the delivery of the leather products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

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5. REVENUE AND OTHER INCOME (CONTINUED)

(ii) Performance obligations (Continued)

Retail of fashion apparel, footwear and leather accessories

The performance obligation is satisfied at a point in time when the customers obtain control of the products and immediate cash or credit card payment is normally required.

Provision of automobile services and sales of related products

The performance obligation is satisfied at a point in time when the services are rendered/customers obtain control of the products and payment is generally due within 30 days.

Sales of lifestyle consumer products

The performance obligation is satisfied at a point in time when the customers obtain control of the products and payment is generally due within 60 days.

(iii) Contract liabilities

The payment in advance received from customers before delivery of goods gives rise to contract liabilities. The contract liabilities are expected to be recognised as revenue within one year from the dates of inception of the respective contracts. The movements of the contract liabilities included in other payables are set out below:

	2025 HK\$'000	2024 HK\$'000
Movements in contract liabilities		
Balance as at 1 January	–	1,526
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	–	(1,526)
Increase in contract liabilities as a result of receipts in advance from customers during the year	–	–
Balance as at 31 December	–	–

Other income

	2025 HK\$'000	2024 HK\$'000
Interest income (note 7)	2	1
Foreign exchange gain, net	–	250
Write-back of trade payables	344	–
Write-back of other payables and accruals	1,408	20
Gain on modification of leases (note 22(b))	890	–
Sundry income	9	17
	2,653	288

6. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on lease liabilities (notes 22(b) & (c))	237	588
Imputed interest on loans from ultimate controlling shareholder (note 21)	2,912	2,503
	3,149	3,091

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2025 HK\$'000	2024 HK\$'000
Auditor's remuneration		
– Audit and other assurance related services	1,400	1,380
– Under provision in relation to previous year	500	–
– Non-audit or assurance services	550	40
Cost of inventories sold and services rendered*	45,109	15,360
Employee costs*, excluding directors' emoluments (note 8)		
– Salaries, allowance and other benefits	11,892	10,474
– Retirement scheme contributions	800	1,093
	12,692	11,567
Depreciation of property, plant and equipment* (note 12)	128	–
Depreciation of right-of-use assets* (note 22(a) & (c))	–	128
(Write-back of)/Provision for impairment of trade receivables (note 14)	(438)	880
Provision for impairment of other receivables (note 15)	–	11
Provision for onerous short-term lease contracts (note 22(c))	–	1,755
Foreign exchange losses/(gains), net	219	(250)
Interest income (note 5)	(2)	(1)

* Cost of inventories sold and services rendered included HK\$2,311,000 (2024: HK\$4,478,000) for the year ended 31 December 2025 relating to employee costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, which amounts are also included in the respective total amounts disclosed above for each of these types of expenses.

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8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees paid HK\$'000	Salaries, allowances, discretionary bonus and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000	Fees waived HK\$'000
Year ended 31 December 2025					
<i>Executive directors:</i>					
Fan Xin	315	-	-	315	-
Qin Bohan	315	-	-	315	-
Leung Wai Kit	720	-	-	720	-
Chiang Chien Chih (appointed on 14 January 2025)	579	-	-	579	-
Ying Yong (appointed on 14 January 2025)	116	201	-	317	-
Siu Miu Man, Simon <i>MH</i> (appointed on 25 September 2025)	192	-	-	192	-
Lei Zhengbiao (appointed on 28 October 2025)	85	-	-	85	-
Zhao Jingfei (resigned on 3 December 2025)	288	-	-	288	-
Fong Sze Chun (appointed on 9 April 2025 and resigned on 25 September 2025)	334	-	-	334	-
Jerome Jean Jacques Loubert (appointed on 9 April 2025 and resigned on 25 September 2025)	167	-	-	167	-
<i>Non-executive directors:</i>					
Chan Hau Him Howard (appointed on 9 April 2025 and resigned on 25 September 2025)	111	-	-	111	-
<i>Independent non-executive directors:</i>					
Jia Lixin	120	-	-	120	-
Chen Mengsi (appointed on 21 January 2025)	114	-	-	114	-
Ye Duan (appointed on 8 July 2025)	58	-	-	58	-
Peng Zuoquan (appointed on 8 July 2025)	58	-	-	58	-
Han Yu (resigned on 19 November 2025)	106	-	-	106	-
Total	3,678	201	-	3,879	-
Year ended 31 December 2024					
<i>Executive directors:</i>					
Zhao Jingfei	180	-	-	180	180
Fan Xin	180	-	-	180	180
Qin Bohan	180	-	-	180	180
Leung Wai Kit (appointed on 5 July 2024)	352	-	-	352	-
<i>Independent non-executive directors:</i>					
Han Yu	120	-	-	120	-
Jia Lixin	120	-	-	120	-
Rong Yi (passed away on 28 December 2024)	120	-	-	120	-
Total	1,252	-	-	1,252	540

Other than the waived fees disclosed above, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)**(b) Five highest paid individuals**

Of the five individuals with the highest emoluments in the Group, two (2024: one) are directors of the Company. Details of the remuneration for the year of the remaining three (2024: four) highest paid individuals who are not a director of the Company, are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and benefits in kind	1,583	1,598
Retirement scheme contributions	55	63
	1,638	1,661

The emoluments of the top three (2024: four) highest paid individuals who are not a director of the Company, were within the following bands:

	2025	2024
Nil to HK\$1,000,000	3	4

During the years ended 31 December 2025 and 2024, no emolument was paid to the Directors or any of the three (2024: four) highest paid individuals based on the Company's, the Group's or any member of the Group's performance or as an inducement to join or upon joining by the Group or as compensation for loss of office.

(c) The emoluments paid or payable to members of senior management (including Directors) were within the following bands:

	2025	2024
Nil to HK\$1,000,000	16	7

9. INCOME TAX EXPENSE

Under the Hong Kong two-tiered profits tax rates regime, the first HK\$2,000,000 of profits arising in Hong Kong of one subsidiary of the Group, which is a qualifying group entity operating in Hong Kong, is taxed at 8.25%, and its remaining assessable profits is taxed at 16.5%. Other group entities operating in Hong Kong are taxed at 16.5%.

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9. INCOME TAX EXPENSE (CONTINUED)

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax (“CIT”) rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small-scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits). Other group entities, which are not qualified as small-scale enterprises, operating in the Chinese Mainland are taxed at 25%.

No Hong Kong profits tax (the “Hong Kong Profits Tax”) has been provided as the Group did not generate any assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset the assessable profits generated during the year ended 31 December 2024. No provision for CIT is made for the year ended 31 December 2024 as the Group did not generate any assessable profits arising in the Chinese Mainland.

	2025 HK\$'000	2024 HK\$'000
Current – Hong Kong Profits Tax		
Charge for the year	32	–
Current – Elsewhere		
Charge for the year	818	–
Total	850	–

A reconciliation of the tax expense applicable to loss before tax at the statutory rate applicable to the Company to the tax expense at effective tax rates is as follows:

	2025		2024	
	HK\$'000	%	HK\$'000	%
Loss before tax	(17,380)		(17,072)	
Tax at prevailing tax rates at jurisdictions in which the Group operates	(3,280)	18.9	(3,128)	18.3
Tax effect of expenses not deductible	3,446	(19.9)	1,845	(10.8)
Tax effect of tax losses not recognised	2,790	(16.0)	1,825	(10.7)
Tax effect of utilisation of tax losses previously not recognised	(1,115)	6.4	–	–
Tax effect of deductible temporary differences not recognised	(991)	5.7	(542)	3.2
Tax charge at the Group’s effective rate	850	(4.9)	–	–

9. INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2025, the Group had unused tax losses of approximately HK\$126,075,000 (2024: HK\$121,795,000) and other deductible temporary differences of approximately HK\$6,305,000 (2024: HK\$11,096,000) (including net balances of HK\$28,000 (2024: HK\$813,000) regarding the temporary differences arising from right-of-use assets and lease liabilities of HK\$223,000 (2024: HK\$2,274,000) and HK\$251,000 (2024: HK\$3,087,000), respectively). The unused tax losses of approximately HK\$70,432,000 (2024: HK\$75,555,000) can be carried forward indefinitely, while the remaining unused tax losses of approximately HK\$55,643,000 (2024: HK\$46,240,000) will be expired in five years from the respective dates of incurrence. Deferred tax assets have not been recognised in relation to such unused tax losses and other deductible temporary differences due to unpredictability of future profit streams.

As at 31 December 2025, no deferred tax liability has been recognised on the temporary difference in relation to the undistributed earnings of approximately HK\$10,595,000 (31 December 2024: HK\$7,015,000) of a subsidiary in the Chinese Mainland because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not be reversed in the foreseeable future.

The Group did not have other material unrecognised deferred tax assets and liabilities at the end of respective reporting periods.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for the years ended 31 December 2025 and 2024.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$15,655,000 (2024: approximately HK\$17,062,000) and the weighted average number of ordinary shares of 436,929,523 (2024: 413,801,205) in issue during the year.

No adjustment has been made to the basic loss per share attributable to owners of the Company for the years ended 31 December 2025 and 2024 in respect of a dilution as the Company had no potential dilutive ordinary shares in issue during these years.

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12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2025					
Cost					
At 1 January 2025	3,495	2,652	7,153	308	13,608
Additions	2,079	130	-	134	2,343
Exchange realignment	160	18	217	19	414
At 31 December 2025	5,734	2,800	7,370	461	16,365
Accumulated depreciation and impairment					
At 1 January 2025	3,495	2,652	7,153	308	13,608
Depreciation (note 7)	124	2	-	2	128
Impairment loss provided for the year (note 7)	-	-	-	-	-
Exchange realignment	111	18	217	15	361
At 31 December 2025	3,730	2,672	7,370	325	14,097
Net carrying amounts					
At 31 December 2025	2,004	128	-	136	2,268
31 December 2024					
Cost					
At 1 January 2024	3,567	2,664	7,297	317	13,845
Exchange realignment	(72)	(12)	(144)	(9)	(237)
At 31 December 2024	3,495	2,652	7,153	308	13,608
Accumulated depreciation and impairment					
At 1 January 2024	3,567	2,664	7,297	317	13,845
Depreciation (note 7)	-	-	-	-	-
Impairment loss provided for the year (note 7)	-	-	-	-	-
Exchange realignment	(72)	(12)	(144)	(9)	(237)
At 31 December 2024	3,495	2,652	7,153	308	13,608
Net carrying amounts					
At 31 December 2024	-	-	-	-	-

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leather Retail Business

In prior year, the Directors considered that there were impairment indicators on the property, plant and equipment (the “**Retail PPE**”) and the ROA (note 22(a)) (the “**Retail ROA**”) of the Leather Retail Business because of the substantial loss incurred. The relevant items of the Retail PPE and Retail ROA of the Leather Retail Business are grouped together to constitute a cash generating unit (the “**Retail CGU**”) for the purpose of the impairment assessment. The Directors assessed the recoverable amounts of the Retail CGU, which were higher of the value in use (“**VIU**”) and the fair value less costs of disposal (“**FVLCS**”). Since the Directors were of opinion that the Retail PPE and Retail ROA had minimal resell value and the FVLCS was considered as zero, the recoverable amounts of the Retail CGU were determined based on the VIU.

The recoverable amounts of the Retail CGU as at 31 December 2024 has been determined by the management by using the discounted cash flow projections (the “**Retail Valuation**”). Based on the Retail Valuation, the recoverable amounts of the Retail PPE and Retail ROA were zero. No write back of impairment loss on the Retail PPE and Retail ROA, which had been fully impaired in prior year, was considered necessary for the year ended 31 December 2024.

Since the Retail PPE and Retail ROA should have been fully depreciated as at 31 December 2025 should there be no impairment previously provided, no reassessment and write back of impairment loss on the Retail PPE and Retail ROA is considered necessary for the year ended 31 December 2025.

Leather Manufacturing Business

In prior year, the Directors considered that there were impairment indicators on the property, plant and equipment (the “**Manufacturing PPE**”) and the ROA (note 22(a)) (the “**Manufacturing ROA**”) of the Leather Manufacturing Business because of the substantial loss incurred. The relevant items of the Manufacturing PPE and Manufacturing ROA of the Leather Manufacturing Business are grouped together to constitute a cash generating unit (the “**Manufacturing CGU**”) for the purpose of the impairment assessment. The Directors assessed the recoverable amounts of the Manufacturing CGU, which were higher of the VIU and the FVLCS. Since the Directors were of opinion that the Manufacturing PPE and Manufacturing ROA had minimal resell value and the FVLCS was considered as zero, the recoverable amounts of Manufacturing CGU were determined based on the VIU.

The Directors engaged an independent valuer with recognised qualifications and experiences to determine the VIU of the Manufacturing CGU as at 31 December 2024. The recoverable amounts of the Manufacturing CGU had been determined by using the discounted cash flow projections and the recoverable amounts of the Manufacturing PPE and Manufacturing ROA were zero. Impairment loss on the Manufacturing ROA of approximately HK\$1,553,000 (note 22(a)) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024; and no further impairment on the Manufacturing PPE was considered necessary as they had been fully impaired in prior year.

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12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leather Manufacturing Business (Continued)

As at 31 December 2025, the carrying amounts of the Manufacturing PPE and Manufacturing ROA that have not been fully depreciated amounted to approximately HK\$264,000 and Nil (after impairment of HK\$223,000), respectively.

The Directors are of the opinion that both the carrying amounts of the Manufacturing PPE and Manufacturing ROA were not material to the financial position of the Group and no impairment assessment was considered necessary.

No impairment on the Manufacturing PPE was recognised and no write back of impairment loss on the Manufacturing ROA which has been fully impaired in prior year was made for the year ended 31 December 2025.

Automobile Services Business

As at 31 December 2025, the Directors considered that there were impairment indicators on the property, plant and equipment (the “**Automobile PPE**”) of the Automobile Services Business because of the loss incurred during the year ended 31 December 2025. The relevant items of the Automobile PPE of the Automobile Services Business with net carrying amount of HK\$1,777,000 are grouped together to constitute a cash generating unit (the “**Automobile CGU**”) for the purpose of the impairment assessment.

The Directors assessed the recoverable amounts of the Automobile CGU, which are higher of the VIU and the FVLCS. Since the Directors are of the opinion that the Automobile PPE have minimal resale value and the FVLCS is considered as zero, the recoverable amounts of the Automobile CGU are determined based on the VIU. The recoverable amounts of the Automobile CGU have been determined by the management by using the discounted cash flow projections for a period of 5 year (the “**Automobile Valuation**”). The key assumptions used in the Automobile Valuation include growth rate of 10%–100%, gross profit margin of 60% and discount rate of 14.3%. The discount rate used in the Automobile Valuation is the weighted average cost of capital derived from market data. The growth rates and gross profit margin within the forecast periods are estimated by the Directors after having taken into consideration of the past performance of the Automobile CGU, industry growth forecasts and future business plan of the Group. Based on the Automobile Valuation, the recoverable amounts of the Automobile PPE are higher than the carrying amounts and no impairment on the Automobile PPE is considered necessary for the year ended 31 December 2025.

13. INVENTORIES

Inventories, net of provision for obsolete inventories, consisted of the following:

	2025 HK\$'000	2024 HK\$'000
Raw materials	548	729
Work in progress	203	491
Finished goods	423	790
	1,174	2,010

At 31 December 2025, the Group's inventories with cost of approximately HK\$7,878,000 (2024: HK\$10,220,000) were stated at net realisable value of zero (2024: zero).

14. TRADE RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	3,900	7,349
Less: Impairment loss	(493)	(2,051)
Net carrying amounts	3,407	5,298

No credit term is granted to customers of the Leather Retail Business. Trade receivables are arising from customers of the Leather Manufacturing Business, the Automobile Services Business and the Lifestyle Consumer Business, whose are generally granted with credit terms of 30 to 90 days from the date of invoice. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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14. TRADE RECEIVABLES (CONTINUED)

The aging analysis of trade receivables (net of impairment loss) as at the end of the reporting period, based on invoice date, is as follows:

	2025 HK\$'000	2024 HK\$'000
Less than 30 days	3,407	5,168
31 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
121 to 365 days	-	130
Over 365 days	-	-
	3,407	5,298

The movements in the loss allowance for expected credit loss of trade receivables during the years are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	2,051	1,171
Write off	(1,123)	-
(Write-back of)/Provision for impairment loss (note 7)	(438)	880
Exchange realignment	3	-
At 31 December	493	2,051

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the historical trade receivables loss rate, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking factors including forecasts of future economic conditions.

14. TRADE RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Current HK\$'000	Past due					Total HK\$'000
		1-30 days HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	91-365 days HK\$'000	Over 365 days HK\$'000	
As at 31 December 2025							
Expected credit loss rate	6.76%	N/A	N/A	N/A	N/A	100%	
Gross carrying amount	3,654	-	-	-	-	246	3,900
Expected credit losses	(247)	-	-	-	-	(246)	(493)
Net carrying amount	3,407	-	-	-	-	-	3,407
As at 31 December 2024							
Expected credit loss rate	6.25%	N/A	N/A	72.61%	100%	100%	
Gross carrying amount	5,513	-	-	474	239	1,123	7,349
Expected credit losses	(345)	-	-	(344)	(239)	(1,123)	(2,051)
Net carrying amount	5,168	-	-	130	-	-	5,298

The decrease in the allowance for expected credit losses to HK\$493,000 (2024: HK\$2,051,000) was mainly due to the decrease in trade receivables which were past due for over 60 days and the write off of non-recoverable receivables during the year.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Prepayments	2,925	421
Rental, utility and other deposits	1,147	1,443
Due from former fellow subsidiaries	8	8
Other receivables	1,353	1,175
	5,433	3,047
Less: Impairment loss on other receivables	(301)	(306)
	5,132	2,741
Less: Rental deposits classified as non-current assets	-	-
Current portion	5,132	2,741

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15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The amounts due from former fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The movements in the loss allowance for the impairment of other receivables during the reporting period are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	306	295
Write off	(5)	–
Provision for impairment loss (note 7)	–	11
At 31 December	301	306

In determining the loss allowance for the impairment of other receivables, the Group has made individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking factors.

16. CASH AND CASH EQUIVALENTS

	2025 HK\$'000	2024 HK\$'000
Cash and bank balances	27,966	829

The cash and bank balances amounting to approximately HK\$11,172,000 (2024: approximately HK\$103,000) that were deposited in bank accounts maintained in the Chinese Mainland and denominated in Renminbi (“RMB”) were not freely convertible into other currencies and were subject to exchange controls in the Chinese Mainland. However, under the Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

17. TRADE PAYABLES

The aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 HK\$'000	2024 HK\$'000
Less than 30 days	2,888	445
31 to 60 days	1,669	388
61 to 90 days	–	3,155
91 to 120 days	–	25
121 to 365 days	–	305
Over 365 days	104	448
	4,661	4,766

18. OTHER PAYABLES AND ACCRUALS

	2025 HK\$'000	2024 HK\$'000
Other payables	1,669	3,249
Accrued expenses	7,893	8,176
Due to former fellow subsidiaries	8,171	8,171
Due to former intermediate holding company	5,590	5,590
	23,323	25,186

The amounts due to former fellow subsidiaries and former intermediate holding company are unsecured, interest-free and have no fixed terms of repayment.

19. DUE TO ULTIMATE CONTROLLING SHAREHOLDER, A DIRECTOR AND RELATED COMPANIES

The amount due to ultimate controlling shareholder, namely Mr. Zhao, amounting to HK\$216,000 (2024: HK\$11,470,000), is unsecured, interest-free and has no fixed terms of repayment.

The amount due to a director, namely Mr. Qin Bohan (“**Mr. Qin**”), amounting to HK\$307,000 as at 31 December 2024, was unsecured, interest-free and had no fixed terms of repayment. The amount has been fully repaid during the year ended 31 December 2025.

The amounts due to related companies, namely 北京盛茂坤科技產業發展有限公司 and 中汽華輪(北京)科技有限
公司, amounting to approximately HK\$1,682,000 (2024: HK\$1,600,000) and HK\$57,000 (2024: Nil), respectively, are unsecured, interest-free and have no fixed terms of repayment.

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20. LOAN FROM A DIRECTOR

On 28 October 2019, the Company entered into a loan agreement with Mr. Qin, pursuant to which, Mr. Qin granted a loan of HK\$8,000,000 to the Company which is unsecured, interest-free and has no fixed terms of repayment.

21. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER

	2025 HK\$'000	2024 HK\$'000
Balance as at 1 January	17,226	19,517
Extension agreements for existing loans entered:		
Notional interest saving arising from the interest-free loans	(1,205)	(4,566)
	16,021	14,951
Imputed interest charged (note 6)	2,912	2,503
Repayments during the year	(1,000)	–
Exchange realignment	323	(228)
Balance as at 31 December	18,256	17,226
Less: Current portion	(14,161)	(4,458)
Non-current portion	4,095	12,768

Analysed into:

	2025 HK\$'000	2024 HK\$'000
Loans from ultimate controlling shareholder repayable:		
Within one year	14,161	4,458
In the second year	4,095	12,768
Total	18,256	17,226

Mr. Zhao, the ultimate controlling shareholder, has granted certain interest-free loans to the Group with aggregate principal amounts of HK\$1,226,000 (2024: HK\$2,226,000) (the “**HK\$ Loans**”), US\$1,480,000 (2024: US\$1,480,000) (the “**US\$ Loans**”) and RMB7,010,000 (2024: RMB7,010,000) (the “**RMB Loans**”) (equivalent to approximately HK\$20,582,000 (2024: HK\$21,201,000) in aggregate, collectively the “**Shareholder Loans**”) as at 31 December 2025.

The HK\$ Loans and the US\$ Loans are repayable in June to August 2026 and are accounted for at amortised cost, using an effective interest rate of 16% and 17%, respectively.

21. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER (CONTINUED)

The RMB Loan with principal amount of RMB2,510,000 (equivalent to approximately HK\$2,661,000) is repayable in June 2026 and is accounted for at amortised cost, using effective interest rate of 15%. The remaining RMB Loans with principal amount of RMB4,500,000 (equivalent to approximately HK\$4,770,000) are repayable in March to June 2027 and are accounted for at amortised cost, using effective interest rates from 14% to 16%.

22. LEASES

The Group as a lessee

During the year ended 31 December 2024, the Group entered into certain lease agreements to extend the lease of the existing retail shop, office premises and lease of a parcel of farmland used in the Industrial Hemp Planting Business for terms ranging from 1 year to 2 years. The Group applied the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date.

The leases for the retail shops contain variable lease payment terms that are based on the Group's turnover generated from the retail shops. There are also minimum annual base rental arrangements for these leases.

(a) *Right-of-use assets*

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Head office premises HK\$'000	Retail shops, dismantling cost and office premises HK\$'000	Manufacturing plants and office premises HK\$'000	Total HK\$'000
At 1 January 2024	-	-	-	-
Additions	-	-	1,681	1,681
Depreciation (notes 7 & 22(c))	-	-	(128)	(128)
Impairment loss provided for the year (note 22(c))	-	-	(1,553)	(1,553)
Exchange realignment	-	-	-	-
At 31 December 2024 and 1 January 2025	-	-	-	-
Additions	-	-	-	-
Depreciation (notes 7 & 22(c))	-	-	-	-
Impairment loss provided for the year (note 22(c))	-	-	-	-
Exchange realignment	-	-	-	-
At 31 December 2025	-	-	-	-

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22. LEASES (CONTINUED)

The Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

As detailed in note 12 to the consolidated financial statements, the Group performed impairment assessments on the right-of-use assets of the manufacturing plant and office premises (i.e. the Manufacturing ROA) and the retail shops and office premises (i.e. the Retail ROA) respectively in prior year as the Directors considered that there were impairment indicators resulted by the substantial loss incurred by the Leather Manufacturing Business and the Leather Retail Business. For the year ended 31 December 2025, no further impairment was considered necessary as the Retail ROA has been fully depreciated and the Manufacturing ROA with carrying amount (before impairment) of approximately HK\$223,000 has been fully impaired in prior year.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount at 1 January	4,344	6,213
Additions	–	1,681
Interest expenses (note 6 & 22(c))	237	588
Payment of lease liabilities	(3,509)	(4,006)
Gain on modification of lease (note 5)	(890)	–
Exchange realignment	69	(132)
Carrying amount at 31 December	251	4,344
Analysed into:		
Current portion	251	3,957
Non-current portion	–	387
	251	4,344

22. LEASES (CONTINUED)*The Group as a lessee (Continued)*

- (c) The amounts recognised in the consolidated statement of profit or loss and comprehensive income in relation to leases are as follows:

	2025 HK\$'000	2024 HK\$'000
Interest on lease liabilities (notes 6 & 22(b))	237	588
Depreciation of right-of-use assets (notes 7 & 22(a))	–	128
Expenses relating to short-term leases	1,093	245
Impairment of right-of-use assets (note 22(a))	–	1,553
Provision for onerous short-term lease contracts (note 7)	–	1,755
	1,330	4,269

- (d) *Lease commitments related to short-term leases*

	2025 HK\$'000	2024 HK\$'000
Short-term leases for retail shops	–	675
Short-term leases for corporate head office	–	186
Short-term lease for office and staff quarter	100	–
	100	861

The short-term lease for retail shop is regarded as onerous and provision for onerous short-term lease of approximately HK\$675,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024. No further provision is required as the lease of the retail shop has been expired during the year ended 31 December 2025.

In addition, the Group entered into a lease agreement to extend the lease of the existing corporate head office for a further term of 1 year during the year ended 31 December 2024. The short-term lease renewal for the corporate head office is regarded as onerous and provision for onerous short-term lease contract of approximately HK\$1,080,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024. No further provision is required as the lease of the corporate head office has been expired as at 31 December 2025.

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22. LEASES (CONTINUED)

The Group as a lessee (Continued)

(e) *Total cash outflow for leases*

	2025 HK\$'000	2024 HK\$'000
Within operating activities*	1,955	1,762
Within financing activities	3,509	4,006
	5,464	5,768

* Payment of short-term leases were not shown separately but included in the lines of "Loss before tax" and "Decrease in other payables and accruals" in respect of the net cash used operating activities using the indirect method.

23. SHARE CAPITAL

Authorised and issued share capital

	2025 HK\$'000	2024 HK\$'000
Authorised (2,000,000,000 ordinary shares of HK\$0.01 each)	20,000	20,000
Issued and fully paid:		
461,740,000 (2024: 422,716,000) ordinary shares of HK\$0.01 each	4,617	4,227

A summary of movements in Company's share capital is as follows:

	Number of shares in issue*	Share capital HK\$'000
At 1 January 2024	412,704,000	4,127
Shares issued during the year [#]	10,012,000	100
At 31 December 2024 and 1 January 2025	422,716,000	4,227
Shares issued during the year ⁺	39,024,000	390
At 31 December 2025	461,740,000	4,617

* ordinary shares of HK\$0.01 each

[#] **Shares issued during the year ended 31 December 2024:**

On 21 November 2024, 10,012,000 ordinary shares were issued at a placing price of HK\$1.02 per share for a total cash consideration, before share issuing expenses, of HK\$10,212,240 in which, as to HK\$10,112,120 was recognised as share premium during the year ended 31 December 2024. The related issuing expenses of approximately HK\$436,000 was reduced from the share premium.

23. SHARE CAPITAL (CONTINUED)

Authorised and issued share capital (Continued)

* **Shares issued during the year ended 31 December 2025:**

- (a) On 18 March 2025, 9,024,000 ordinary shares were issued at a placing price of HK\$1.78 per share for a total cash consideration, before share issuing expenses, of HK\$16,062,720 in which, as to HK\$15,972,480 was recognised as share premium during the year ended 31 December 2025. The related issuing expenses of approximately HK\$447,000 was reduced from the share premium.
- (b) On 17 September 2025, 15,000,000 ordinary shares were issued at a placing price of HK\$1.42 per share for a total cash consideration, before share issuing expenses, of HK\$21,300,000 in which, as to HK\$21,150,000 was recognised as share premium during the year ended 31 December 2025. The related issuing expenses of approximately HK\$567,000 was reduced from the share premium.
- (c) On 27 October 2025, 15,000,000 ordinary shares were issued at a placing price of HK\$1.75 per share for a total cash consideration, before share issuing expenses, of HK\$26,250,000 in which, as to HK\$26,100,000 was recognised as share premium during the year ended 31 December 2025. The related issuing expenses of approximately HK\$700,000 was reduced from the share premium.

Subsequent to the end of the reporting period, (a) on 27 January 2026, 12,916,000 ordinary shares were issued at a placing price of HK\$2.16 per share for a total cash consideration, before share issuing expenses, of approximately HK\$27,899,000; and (b) on 17 March 2026, the Company entered into a placing agreement with a placing agent for the placing of 25,000,000 new shares at a placing price of HK\$1.83 per share, with expected net proceeds of approximately HK\$44,570,000. Up to the date of this report, the proposed placing of 25,000,000 new shares has not yet been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. RESERVES

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 70 of the consolidated financial statements.

(i) *Share premium*

The share premium account of the Company includes premium arising from the issue of new shares in the current and prior years netted of share issue expenses.

Under section 34 of the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(ii) *Capital reserve*

The capital reserve is the notional interest saving arising from the interest-free loans from the ultimate controlling shareholder at the date of inception.

(iii) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.4(l) to the consolidated financial statements.

(iv) *Statutory and discretionary reserves*

The statutory and discretionary reserves are non-distributable and the transfers to these reserves are determined by the Directors and in accordance with the relevant laws and regulations of the Chinese Mainland. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital of the subsidiaries in the Chinese Mainland upon approval from the relevant authorities.

25. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related party during the year:

Compensation of key management personnel of the Group:

	2025 HK\$'000	2024 HK\$'000
Short-term benefits	3,879	1,252
Retirement scheme contributions	–	–
Total compensation paid to key management personnel	3,879	1,252

Further details of Directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

26. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiaries in the Chinese Mainland are members of a state-managed retirement benefit scheme operated by the government of the Chinese Mainland. The subsidiaries are required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the years ended 31 December 2025 and 2024, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce the existing level of contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$1,681,000 (2025: Nil) and HK\$1,681,000 (2025: Nil), respectively, in respect of lease arrangements for office and warehouse premises.

(b) Reconciliation of liabilities arising from financing activities during the years ended 31 December 2025 and 2024:

	Due to related companies HK\$'000	Due to ultimate controlling shareholder HK\$'000	Due to a director HK\$'000	Loan from a director HK\$'000	Loans from ultimate controlling shareholder HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2025	1,600	11,470	307	8,000	17,226	4,344	42,947
Changes from cash flows:							
- Payments to ultimate controlling shareholder	-	(11,254)	-	-	(1,000)	-	(12,254)
- Payments to a director	-	-	(307)	-	-	-	(307)
- Advances from a related company	57	-	-	-	-	-	57
- Payment of principal portion of lease liabilities	-	-	-	-	-	(3,272)	(3,272)
- Payment of interest portion of lease liabilities	-	-	-	-	-	(237)	(237)
	57	(11,254)	(307)	-	(1,000)	(3,509)	(16,013)
Gain on modification of lease	-	-	-	-	-	(890)	(890)
Accretion of interest recognised during the year	-	-	-	-	2,912	237	3,149
Notional interest saving arising from interest-free loans provided by ultimate controlling shareholder	-	-	-	-	(1,205)	-	(1,205)
Exchange realignment	82	-	-	-	323	69	474
At 31 December 2025	1,739	216	-	8,000	18,256	251	28,462

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) (Continued)

	Due to a related company HK\$'000	Due to ultimate controlling shareholder HK\$'000	Due to a director HK\$'000	Loan from a director HK\$'000	Loans from ultimate controlling shareholder HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2024	1,654	10,897	-	8,000	19,517	6,213	46,281
Changes from cash flows:							
- Advances from ultimate controlling shareholder	-	573	-	-	-	-	573
- Advances from a director	-	-	307	-	-	-	307
- Payment of principal portion of lease liabilities	-	-	-	-	-	(3,418)	(3,418)
- Payment of interest portion of lease liabilities	-	-	-	-	-	(588)	(588)
	-	573	307	-	-	(4,006)	(3,126)
Inception of new leases	-	-	-	-	-	1,681	1,681
Accretion of interest recognised during the year	-	-	-	-	2,503	588	3,091
Notional interest saving arising from interest-free loans provided by ultimate controlling shareholder	-	-	-	-	(4,566)	-	(4,566)
Exchange realignment	(54)	-	-	-	(228)	(132)	(414)
At 31 December 2024	1,600	11,470	307	8,000	17,226	4,344	42,947

28. COMMITMENTS

Other than the lease commitments disclosed in note 22(d) to the consolidated financial statements, as at the end of the reporting period, the Group had the following capital commitment.

	2025 HK\$'000	2024 HK\$'000
Purchase of plant and machinery		
- Contracted for but not provided for	2,147	-

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29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting period.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2025	2024
	HK\$'000	HK\$'000
Trade receivables	3,407	5,298
Prepayments, deposits and other receivables	2,207	2,320
Cash and cash equivalents	27,966	829
	33,580	8,447

Financial liabilities

	Financial liabilities at amortised cost	
	2025	2024
	HK\$'000	HK\$'000
Trade payables	4,661	4,766
Other payables and accruals	23,323	25,186
Due to ultimate controlling shareholder	216	11,470
Due to a director	–	307
Due to related companies	1,739	1,600
Loan from a director	8,000	8,000
Loans from ultimate controlling shareholder	18,256	17,226
Lease liabilities	251	4,344
	56,446	72,899

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to various kinds of risks in its operation and financial instruments. The Group's risk management objectives and policies mainly focused on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

a. Currency risk

The Group has foreign currency sales and purchases, mainly denominated in US\$ and RMB, which expose the Group to currency risk. Certain financial assets and liabilities of the Group entities are also denominated in US\$ and RMB other than their respective functional currency. As HK\$ is pegged to US\$, the relevant Group entities do not expect any significant movements in the US\$/HK\$ exchange rate. In this regard, the Group does not expose to significant currency risk arising from US\$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of RMB to HK\$, with all other variables held constant, of the Group's loss before tax.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK\$'000
31 December 2025		
If RMB strengthens against HK\$	5	17
If RMB weakens against HK\$	(5)	(17)
31 December 2024		
If RMB strengthens against HK\$	5	4
If RMB weakens against HK\$	(5)	(4)

The Group currently does not have a foreign currency hedging policy. However, management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

b. Interest rate risk

The Group's exposure to cash flow interest rate risk is mainly attributable to its interest-bearing bank deposits. The interest rate of bank deposits is subject to changes as determined by banks. The Group currently does not have an interest rate hedging policy and will consider entering into interest rate hedging should the need arise.

At the end of respective reporting periods, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have insignificant impact on the loss for the year or other components of equity of the Group at the end of respective reporting periods.

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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Credit risk

The Group's credit risk is primarily attributable to trade receivables, financial assets included in prepayments, deposits and other receivables and cash and bank balances and arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. All the cash and bank balances were made with financial institutions with high-credit quality.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2025 and 2024. The amounts presented are gross carrying amounts for financial assets.

31 December 2025

	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000			
Trade receivables*	-	-	-	3,900	3,900	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	2,207	-	-	-	2,207	
– Doubtful**	-	301	-	-	301	
Cash and cash equivalents						
– Not yet past due	27,966	-	-	-	27,966	
	30,173	301	-	3,900	34,374	

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

31 December 2024

	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	HK\$'000
	Stage 1	Stage 2	Stage 3			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Trade receivables*	–	–	–	7,349	7,349	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	2,320	–	–	–	2,320	
– Doubtful**	–	306	–	–	306	
Cash and cash equivalents						
– Not yet past due	829	–	–	–	829	
	3,149	306	–	7,349	10,804	

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 14 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables are considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

As at the end of the reporting period, the Group had certain concentrations of credit risk as to 51% (2024: 75%) and 97% (2024: 77%) of the trade receivables were due from the Group’s largest customer and five largest customers, respectively, within the Leather Manufacturing Business and the Lifestyle Consumer Business segment.

d. Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

d. Liquidity risk (Continued)

The maturity profile of the financial liabilities of the Group at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2025

	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	4,661	-	-	-	4,661
Other payables and accruals	23,323	-	-	-	23,323
Due to ultimate controlling shareholder	216	-	-	-	216
Due to a director	-	-	-	-	-
Due to related companies	1,739	-	-	-	1,739
Loan from a director	8,000	-	-	-	8,000
Loans from ultimate controlling shareholder	-	-	15,567	5,015	20,582
Lease liabilities	-	195	65	-	260
	37,939	195	15,632	5,015	58,781

31 December 2024

	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	4,766	-	-	-	4,766
Other payables and accruals	25,186	-	-	-	25,186
Due to ultimate controlling shareholder	11,470	-	-	-	11,470
Due to a director	307	-	-	-	307
Due to a related company	1,600	-	-	-	1,600
Loan from a director	8,000	-	-	-	8,000
Loans from ultimate controlling shareholder	-	1,060	3,710	16,431	21,201
Lease liabilities	-	1,233	3,021	402	4,656
	51,329	2,293	6,731	16,833	77,186

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. *Capital management*

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by the total (deficiency in assets)/ equity plus net debt. Net debt includes trade payables, other payables and accruals, amounts due to and loans from a Director and the ultimate controlling shareholder and lease liabilities, less cash and cash equivalents. Capital represents deficiency in assets attributable to equity holders of the Company. The Group does not disclose the gearing ratio as at 31 December 2025 and 2024 as the Group was in a net deficiency in assets position as at those respective dates.

32. EVENTS AFTER THE REPORTING PERIOD

Except for the placing of shares of the Company as detailed in note 23 to the consolidated financial statements, there were no material events occurring subsequent to the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Investments in subsidiaries	1	1
Total non-current assets	1	1
Current assets		
Prepayment, deposits and other receivables	113	468
Due from subsidiaries	18,447	–
Due from ultimate controlling shareholder	–	240
Cash and cash equivalents	3,106	83
Total current assets	21,666	791
Current liabilities		
Other payables and accruals	19,253	18,979
Due to subsidiaries	11,505	11,505
Due to ultimate controlling shareholder	–	–
Loan from ultimate controlling shareholder	10,433	–
Loan from a director	8,000	8,000
Total current liabilities	49,191	38,484
Net current liabilities	(27,525)	(37,693)
Total assets less current liabilities	(27,524)	(37,692)
Non-current liabilities		
Loan from ultimate controlling shareholder	–	8,840
Total non-current liabilities	–	8,840
Net liabilities	(27,524)	(46,532)
Deficiency in assets		
Share capital (note 23)	4,617	4,227
Reserves (note)	(32,141)	(50,759)
Total deficiency in assets	(27,524)	(46,532)

On behalf of the Board

Qin Bohan
Executive Director

Fan Xin
Executive Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share Premium HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	Total HK\$'000
At 1 January 2024	138,642	(188,377)	2,058	(47,677)
Loss and total comprehensive income for the year	–	(16,015)	–	(16,015)
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	–	–	3,257	3,257
Issue of new share (note 23)	10,112	–	–	10,112
Share issue expenses (note 23)	(436)	–	–	(436)
At 31 December 2024 and 1 January 2025	148,318	(204,392)	5,315	(50,759)
Loss and total comprehensive income for the year	–	(42,891)	–	(42,891)
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	–	–	–	–
Issue of new share (note 23)	63,223	–	–	63,223
Share issue expenses (note 23)	(1,714)	–	–	(1,714)
At 31 December 2025	209,827	(247,283)	5,315	(32,141)

34. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2026.

FIVE YEARS FINANCIAL SUMMARY

31 December 2025

A summary of the published results, assets and liabilities of the Group for the last five financial years, which does not form part of the audited consolidated financial statements, is set out as follows:

	2025	2024	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	59,295	21,961	30,298	56,042	49,192
Results					
Loss for the year	(18,230)	(17,072)	(27,909)	(18,936)	(20,987)
	2025	2024	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	39,947	10,878	14,033	30,582	41,186
Total liabilities	(57,319)	(72,899)	(73,358)	(76,598)	(71,721)
Non-controlling interests	2,517	10	–	–	–
Net deficiency in assets attributable to owners of the Company	(14,855)	(62,011)	(59,325)	(46,016)	(30,535)