

WEILI HOLDINGS LIMITED

偉立控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 2372

**ANNUAL
REPORT
2025**

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WEIi Holdings Limited
Annual Report 2025

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Weizhuang (*Chairman*)
Mr. Yu Tianbing (*Chief Executive Officer*)

Non-executive Director

Mr. Hu Haoran

Independent Non-executive Directors

Mr. Liu Yimin
Mr. Chen Yeung Tak
Ms. Feng Yuan

Audit Committee

Mr. Chen Yeung Tak (*Chairperson*)
Mr. Liu Yimin
Ms. Feng Yuan

Remuneration Committee

Ms. Feng Yuan (*Chairperson*)
Mr. Chen Yeung Tak
Mr. Chen Weizhuang

Nomination Committee

Mr. Liu Yimin (*Chairperson*)
Ms. Feng Yuan
Mr. Yu Tianbing

Company Secretary

Mr. Yu Tsz Ngo (*HKICPA*)

Authorised Representatives

Mr. Yu Tsz Ngo
Mr. Yu Tianbing

Auditor

Deloitte Touche Tohmatsu
*Certified Public Accountants and Registered Public
Interest Entity Auditor*
35/F, One Pacific Place
88 Queensway
Central, Hong Kong

Compliance Adviser

Grande Capital Limited
Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Legal Advisers as to Hong Kong Law

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

Principal Banker

Bank of China Hong'an Sub-branch
No.6, Jianshe West Street
Chengguan Town
Hong'an County
Hubei Province
China

Registered Office

P. O. Box 500
Suite 210, 2nd Floor
Windward III
Regatta Office Park
Grand Cayman KY1-1106
Cayman Islands

Headquarters

New Industrial Park
Mi'ersi Town
Hong'an County
Hubei Province
China

Principal Place of Business in Hong Kong

Unit 2004-6, 20th Floor
Strand 50, 50 Bonham Strand
Sheung Wan
Hong Kong

Principal Share Registrar

Appleby Global Services (Cayman) Limited
P. O. Box 500
Suite 210, 2nd Floor
Windward III
Regatta Office Park
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

Company's Website

www.weiliholdings.com

Stock Code

2372

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of WElli Holdings Limited (the "Company") for the year ended 31 December 2025 ("FY2025").

The ordinary shares of our Company (the "Shares") were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 June 2022 (the "Listing Date") which marked a significant milestone for our Company and its subsidiaries (collectively, the "Group"). 200,000,000 ordinary Shares were issued under the share offer, raising net proceeds of approximately HK\$90.3 million (after deducting expenses from the Listing (the "Listing Expenses")). With the capital raised from the Listing, the Group has greater flexibility to enhance the production capacity which strengthen the Group's market position.

For FY2025, the Group recorded a total revenue of approximately RMB106.0 million, representing a decrease of approximately RMB6.0 million or 5.4% as compared to approximately RMB112.0 million for the year ended 31 December 2024 ("FY2024"). Such decrease was mainly due to the Group proactively decreased orders for products with lower gross margins. This approach led to a reduction in revenue; however, the overall gross margins for products have improved for FY2025. The Group's gross profit increased from approximately RMB3.3 million for FY2024 to approximately RMB11.5 million for FY2025, representing an increase of approximately RMB8.2 million or 248.5%. The Group's gross profit margin increased from approximately 2.9% for FY2024 to approximately 10.8% for FY2025. For FY2025, the Group recorded net loss attributable to shareholders of the Company (the "Shareholder(s)") of approximately RMB4.1 million as compared to approximately RMB9.5 million for FY2024.

Looking into the future, since the demand for tobacco products is inelastic in general due to its product nature, the number of smokers in the PRC is expected to grow in the foreseeable future despite the smoking control policies imposed by the government. In addition, benefiting from the focus of the cigarette industry towards mid-to-high-end and the increase in purchasing power of PRC citizens, the demand of mid-to-high-end cigarettes which generally entail the use of cigarette packaging paper with advanced technical features is expected to increase. We will continue to adapt, optimise and manage our resources prudently to seize business opportunities which are beneficial to the long-term growth of the Group. We will continue draw on our expertise and experience to devise effective strategies to increase our market share.

On behalf of the Board, let me take this opportunity to extend our heartfelt gratitude to our shareholders, business partners, customers, and employees for your continuous support and contribution to the Group. We are committed to delivering value and bringing returns to all our stakeholders.

Chen Weizhuang

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to the customers. The Group supplies products primarily to cigarette package manufacturers which operate in different provinces of the PRC, mainly including Hubei Province and Henan Province. The products sold by the Group are used in the manufacture of cigarette packages for well-known cigarette brands in the PRC.

The Group's products were used as cigarette packaging materials for cigarette brands which were recognised as the "Dual 15 cigarette brands (雙十五煙草品牌)" by the State Tobacco Monopoly Administration (中國國家煙草專賣局). The Group's revenue was mainly derived from the sale of cigarette packaging paper. The Group's products are categorised into (i) transfer paper; (ii) laminated paper; and (iii) frame paper. To a much lesser extent, the Group also provides cigarette packaging paper processing services to cigarette package manufacturers.

During FY2025, the Group proactively decreased orders for products with lower gross margins. This approach led to a reduction in revenue; however, the overall gross margins for products have improved for FY2025.

Looking into the future, since the demand for tobacco products is inelastic in general due to its product nature, the number of smokers in the PRC is expected to grow in the foreseeable future despite the smoking control policies imposed by the government. In addition, benefiting from the focus of the cigarette industry towards mid-to-high-end and the increase in purchasing power of PRC citizens, the demand of mid-to-high-end cigarettes which generally entail the use of cigarette packaging paper with advanced technical features is expected to increase. We will continue to adapt, optimise and manage our resources prudently to seize business opportunities which are beneficial to the long-term growth of the Group. We will continue to draw on our expertise and experience to devise effective strategies to increase our market share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased from approximately RMB112.0 million for FY2024 to approximately RMB106.0 million for FY2025, representing a decrease of approximately RMB6.0 million or 5.4%. Such decrease was mainly due to the Group proactively decreased orders for products with lower gross margins. This approach led to a reduction in revenue; however, the overall gross margins for products have improved.

Cost of sales

The Group's cost of sales decreased from approximately RMB108.7 million for FY2024 to approximately RMB94.6 million for FY2025, representing a decrease of approximately RMB14.1 million or 13.0%. This reduction exceeded the 5.4% decline in revenue, reflecting the positive impact of the Group's stringent cost-control measures and a more favorable product mix. Consequently, the decrease in cost of sales was more pronounced than the decrease in revenue for the corresponding period.

Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB3.3 million for FY2024 to approximately RMB11.5 million for FY2025, representing an increase of approximately RMB8.2 million or 248.5%, while the Group's gross profit margin increased from approximately 2.9% for FY2024 to approximately 10.8% for FY2025. This growth was primarily driven by the Group's strategic shift toward higher-margin products and effective cost-control measures, which resulted in cost reductions significantly outpacing the decline in revenue.

Selling expenses

The Group's selling expenses increased from approximately RMB5.2 million for FY2024 to approximately RMB5.8 million for FY2025. This increase was primarily driven by higher sales commissions, which aligned with the growth in revenue from the finished packaging paper.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB13.4 million for FY2024 to approximately RMB13.1 million for FY2025 mainly due to the streamlining of staff headcount during FY2025.

Impairment losses reversed (recognised) under ECL, net

We recognised net impairment losses under ECL model, of approximately RMB1.1 million for FY2024 and net reversal of approximately RMB1.3 million for FY2025, mainly due to the decrease in the ECL rate for trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income decreased from approximately RMB5.0 million for FY2024 to approximately RMB1.6 million for FY2025 which was mainly due to the decrease in government grants received from approximately RMB3.3 million for FY2024 to approximately RMB0.2 million for FY2025.

Other gains and losses

The Group's other gains and losses increased from approximately RMB0.3 million for FY2024 to approximately RMB0.4 million for FY2025, which was mainly attributable to the increase in gain on disposal of property, plant and equipment.

Finance costs

The Group's finance costs decreased from approximately RMB553,000 for FY2024 to approximately RMB25,000 for FY2025, which was mainly attributable to the decrease in interest expenses on bank borrowing.

Income tax (expense) credit

The Group recorded income tax credit of approximately RMB2.2 million for FY2024 and income tax expense of approximately RMB0.1 million for FY2025 which was mainly due to the provision of deferred taxation.

Loss and total comprehensive expense for the year

The Group's loss and total comprehensive expense narrowed by 56.8% from approximately RMB9.5 million for FY2024 to approximately RMB4.1 million for FY2025. The improved financial performance was primarily attributable to the increase in the Group's gross profit as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the date of Listing (the "Listing Date") and up to the date of this report.

As at 31 December 2025 and 2024, the Company's issued capital was HK\$8.0 million and the number of its issued ordinary Shares was 800,000,000 Shares of HK\$0.01 each. During FY2025, the Company did not hold or sell any treasury shares.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2025, the Group had total cash and cash equivalents of approximately RMB89.2 million (31 December 2024: approximately RMB53.2 million). The cash and cash equivalents were denominated in Renminbi (“RMB”), Hong Kong dollars and United States dollars.

As at 31 December 2025, the Group did not have any bank borrowings (31 December 2024: RMB2.0 million, principally denominated in Renminbi (“RMB”). For further information of the Group’s bank borrowings, please refer to note 24 of the consolidated financial statements of the Group.

The gearing ratio of the Group as at 31 December 2025, calculated as total borrowings (including bank borrowings) divided by the total equity was nil (31 December 2024: approximately 1%).

TREASURY POLICY

The Group has implemented a series of internal control policies and rules regarding investment to ensure that the purpose of investment is to preserve capital and liquidity, and the Group would only purchase investment products under limited circumstances. The Group’s finance department is responsible for managing the investment activities, and investment strategies and decisions of the finance department are subject to review and approval of the Board and management team. Prior to making a proposal to invest in investment products, the Group will assess and ensure that there remains sufficient working capital for the business needs, operating activities, research and development and capital expenditures even after purchasing such investment products. The Group adopts a prudent approach in selecting investment products. The Group generally analyses the investment products based on its historical financial performance. Should the Group notice any adverse changes to the financial performance of the investment products based on available information, the finance department will report to the Board and take appropriate actions in a timely manner.

FOREIGN EXCHANGE EXPOSURE

The Group transacts mainly in RMB, which is the functional currency of the Group’s principal operating subsidiaries. However, the Group retains certain cash and cash equivalents in Hong Kong dollars and United States dollars that are exposed to foreign exchange rate risks. The Board considers that the Group has not exposed to significant foreign exchange risk and no foreign exchange hedging was conducted by the Group during FY2025.

CAPITAL EXPENDITURE

During FY2025, the Group incurred capital expenditures of approximately RMB3.0 million (FY2024: approximately RMB3.7 million), primarily due to purchases of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group did not have any capital commitment.

As at 31 December 2025 and 2024, the Group did not have any significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the business plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus dated 17 June 2022 (the “Prospectus”), and as disclosed in the Company’s announcement in relation to the acquisition of the machineries and change in use of net proceeds dated 27 October 2023 (“Acquisition and Change in UOP Announcement”), the Group did not have any future plan for material investments or capital assets as at 31 December 2025. For details, please refer to the section headed “Use of Proceeds” in this report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OR JOINT VENTURES

Save for those disclosed in this report, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associates or joint ventures during FY2025.

PLEDGE OF ASSETS

As at 31 December 2025, buildings with net book value of approximately RMB9.5 million (31 December 2024: approximately RMB9.9 million) were pledged to secure bills payable of the Group.

As at 31 December 2025, land use right with net book value of approximately RMB2.8 million (31 December 2024: approximately RMB2.8 million), were pledged to secure bills payable of the Group.

As at 31 December 2025 and 2024, the Group did not have any pledged bank borrowing.

The Group’s pledged bank deposits were with maturity within one year, denominated in RMB and represented bank deposits pledged to banks for the issuance of bank acceptance bills payable in respect of future settlement to suppliers of the Group.

As at 31 December 2025, the Group did not have any pledged bills receivables (31 December 2024: RMB3,000,000 were pledged to secure bills payable of the Group).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the Listing, after deducting related expenses, were approximately HK\$90.3 million (the “Net Proceeds”). The balance of the net proceeds brought forward at the beginning of FY2025 was approximately HK\$52.0 million. An analysis of the utilisation of the use of proceeds from the Listing Date and up to 31 December 2025 is set out below:

Description	Intended	Utilised	Utilised	Unutilised	Expected
	use of	amount	amount	amount	
	proceeds	during the	as at	as at	timeline for
	HK\$' million	Reporting	31 December	31 December	utilising the
		Period	2025	2025	unutilised
		HK\$' million	HK\$' million	HK\$' million	net proceeds
Expanding the Group's production capacity, production efficiency and product portfolio	33.3	1.0	2.3	31.0	Before 31 December 2027
Enhancing the Group's research and development capabilities	17.6	–	1.1	16.5	Before 31 December 2027
Enhancing the Group's enterprise resource planning system and infrastructure system	0.1	–	0.1	–	Fully utilised
Increasing the Group's marketing efforts	2.6	0.5	0.9	1.7	Before 31 December 2027
Acquisition of printing machineries and positioning crosscutting machine for coloured cigarette packaging paper production	22.9	1.3	22.9	–	Fully utilised
Reserved as the Group's general working capital	13.8	–	13.8	–	Fully utilised
	90.3	2.8	41.1	49.2	

MANAGEMENT DISCUSSION AND ANALYSIS

There has been a delay in the application of the Net Proceeds for (i) expanding the Group's production capacity, production efficiency and product portfolio, (ii) enhancing the Group's research and development capabilities and (iii) increasing the Group's marketing efforts. The reasons for the delay were that demand for cigarette packaging was lower than expected due to the global economic downturn and a decline in sales demand, which led to a slower rate of utilisation of the Net Proceeds allocated as mentioned above. With the gradual recovery of the cigarette packaging sector, the Company will apply the unutilised portion of the Net Proceeds as and when appropriate with reference to the pace of recovery of the cigarette packaging sector according to the manner disclosed in the Prospectus and the Acquisition and Change in UOP Announcement. All the unutilised balance of the Net Proceeds had been placed in licensed banks in the PRC as at 31 December 2025.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend for FY2024 and FY2025.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had a total of 80 employees, as compared to a total of 83 employees as at 31 December 2024. Remuneration to our employees comprises salaries, wages, bonuses and other benefits. The Group generally reviews the performance of the employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustments and promotion. The total staff costs incurred by the Group for FY2025 was approximately RMB9.4 million compared to approximately RMB10.5 million for FY2024. Various on-the-job trainings were provided to the employees. The Group provides various trainings including induction training for new employees, on-the-job training, team-building training and external training for the employees to keep them abreast of the latest technical development relevant to the industry.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at certain percentage of the employees' payroll. For FY2025 and FY2024, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EVENTS AFTER 31 DECEMBER 2025

There is no material subsequent event requiring disclosure that has taken place after 31 December 2025 and up to the date of this report.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Weizhuang (陳偉莊先生), aged 64, was appointed as a Director on 21 April 2021 and was re-designated as an executive Director on 20 May 2021. Mr. Chen also serves as the chairman of our Board and is our Controlling Shareholder. He is primarily responsible for the overall management and formulation of business strategies of our Group. As the chairman of the board of Hubei Qiangda, in order to supervise the operation and management of our Group, Mr. Chen would travel to our production facilities from time to time. He travelled to our production facilities for around 30 times from 2019 to 2021. He is responsible for developing our customer base and maintenance of our business relationship with our major customers, whereas he liaises with some of our major customers and attends meetings regarding our sales review and planning. He is also responsible for holding shareholders' meetings and formulation of business and financial plans of our Group. He is a member of our Remuneration Committee. He is also a director of all our subsidiaries, namely Shengxi Global, Hong Kong WElli and Hubei Qiangda.

Mr. Chen has over 25 years of experience in business management in various industries, including the paper industry in the PRC. From January 1993 to December 1998, he served as deputy general manager in a paper manufacturer located in the Hunan Province. From January 1999 to November 2009, Mr. Chen served as the executive director of Shenzhen Fuhualong Industry Co., Ltd. (深圳市富華隆實業有限公司), a company principally engaged in industrial projects and supply chain activities. From May 2002 to November 2007, he was also the vice chairman of Fuyang Gangli Real Estate Development Co., Ltd.* (阜陽港利房地產開發有限公司), a company principally engages in real estate development and management. From May 2003 to September 2006, Mr. Chen was a supervisor of Shenzhen Huanqiu Shidai Import & Export Co., Ltd. (深圳市環球時代進出口有限公司), a company principally engages in industrial projects, supply chain activities and import and export business, and he has been its executive director since September 2006. Mr. Chen joined Hubei Qiangda as director in May 2017, and has been responsible for the overall management and formulation of business strategies of Hubei Qiangda since then.

Mr. Chen completed his secondary education in the PRC in July 1978.

Mr. Yu Tianbing (余天兵先生), aged 57, was appointed as an executive Director on 19 July 2021. Mr. Yu is also the chief executive officer of our Group and a Substantial Shareholder. He is primarily responsible for the overall management and day-to-day management of the operations of our Group. He usually stations at the production facilities of our Group, and his major responsibilities include reviewing and approving production and operation related documents, supervising the daily production and operation of our Group, implementation of the decisions of the board meetings or shareholders' meetings as well as the business and financial plans of our Group. He is a member of our Nomination Committee. He is also a director of one of our subsidiaries, namely Hubei Qiangda.

Mr. Yu has over 25 years of experience in the cigarette industry, including the cigarette packaging industry. From September 1992 to December 2001, Mr. Yu worked at Hubei Jinye Yuyang Chemical Fiber Co., Ltd.* (湖北金葉玉陽化纖有限公司), which was a designated manufacturer of polypropylene tow and filter rods for cigarettes in the PRC, and he was responsible for business management. From March 2003 to December 2016, Mr. Yu worked at Hubei Golden Three Gorges Printing Industry Co., Ltd. (湖北金三峽印務有限公司), which is principally engaged in manufacture of cigarette package, with his last position as deputy general manager. He then joined Hubei Qiangda as general manager in January 2017 and has been a director of Hubei Qiangda since May 2017.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu graduated from Hubei Radio and TV University (湖北廣播電視大學), majoring in political history, in July 1989. Mr. Yu also graduated from Hunan University of Technology (湖南工業大學), majoring in printing engineering, in January 2007. He was accredited as an economist by the Yichang Municipal Profession Reform Office* (宜昌市職改辦) in December 1995.

NON-EXECUTIVE DIRECTOR

Mr. Hu Haoran (胡浩然先生), aged 39, was appointed as a non-executive Director on 19 July 2021. He is primarily responsible for providing advice on the strategy, performance and standard of conduct of our Group and has not been involved in the daily operation of our Group. Mr. Yu and the management of the Group would provide business updates to Mr. Hu from time to time, and Mr. Hu would review such information and provide advice to our Group, in particular financial performance of our Group. He is also a director of one of our subsidiaries, namely Hubei Qiangda.

Mr. Hu has over nine years of experience in business management in various industries. From March 2012 to January 2015, Mr. Hu served as an assistant to the president at Sun Century Real Estate Group Co., Ltd. (太陽世紀地產集團有限公司), a company principally engages in real estate development and property leasing, and he was responsible for assisting the president in the management of the company. Since January 2015, Mr. Hu has been a director of Pacific Assets Alliance Limited (太平洋資產聯合有限公司), a company principally engages in the provision of finance, accounting, taxation and business consulting services. Since December 2017, he has been a supervisor of Shenzhen Guangxin Enterprise Management Consulting Service Co., Ltd.* (深圳市廣信企業管理諮詢服務有限公司), a company principally engages in the provision of business and investment consulting services, software development and website design. Mr. Hu joined Hubei Qiangda as a director in May 2017.

Mr. Hu was accredited as a junior accountant by the Ministry of Finance of the PRC in May 2007. He graduated from Guangzhou University Sontan College (廣州大學松田學院) majoring in finance management and practice in June 2008. He obtained a bachelor's degree of management in accounting from Dongbei University of Finance and Economics (東北財經大學) through an online course in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yimin (劉一敏先生), aged 43, was appointed as an independent non-executive Director on 2 June 2022. He is primarily responsible for providing independent advice to our Board. He is the chairperson of our Nomination Committee and a member of our audit committee ("Audit Committee").

Mr. Liu has over eight years of experience in business management in various industries. From October 2011 to September 2014, he served as an assistant to the chairman of the board of Brilliant Circle Holdings International Limited (stock code: 1008), a company listed on the Stock Exchange. From April 2016 to November 2017, he was a director of Shenzhen Yunshan Medical Management Co., Ltd.* (深圳市雲杉醫療管理有限公司), a company principally engages in the provision of logistics and management services to medical institutions. Since November 2017, he has been a director of Shenzhen Larnor Investment Management Co., Ltd.* (深圳拉諾投資管理有限公司), a company engages in the provision of medical and healthcare services.

Mr. Liu obtained a bachelor's degree of engineering in computer aided engineering from The University of Central Lancashire in June 2004 and a master's degree of science in mechatronic systems engineering from The University of Lancaster in November 2005.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Yeung Tak (陳仰德先生), aged 41, was appointed as the independent non-executive director of the Company on 2 June 2022. He is primarily responsible for providing independent advice to our Board. He is the chairperson of our Audit Committee and a member of our Remuneration Committee.

Mr. Chen Yeung Tak has over 15 years of experience in auditing, accounting and financial management, treasury, internal control, corporate governance and company secretarial matters. He graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in December 2006. He is a member and a fellow of the Hong Kong Institute of Certified Public Accountants (“CPA”). He is also a CPA (Practising) registered in the Accounting and Financial Reporting Council.

Mr. Chen Yeung Tak worked as an accounting manager in international accounting firms and Blue River Holdings Limited (formerly known as PYI Corporation Limited), the shares of which are listed on the Stock Exchange (stock code: 498). From December 2017 to December 2021, he served as an independent non-executive director of AV Promotions Holdings limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8419). From January 2018 to February 2025, he served as an independent non-executive director of Gain Plus Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 9900). He is currently a company secretary of Kingland Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1751) and had an appointment of its executive director from May 2020 to June 2022.

Mr. Chen Yeung Tak is an independent non-executive director of the following companies respectively: DT Capital Limited, the shares of which are listed on the Stock Exchange (stock code: 356); and Prosperity Group International Limited (formerly known as Kingbo Strike Limited), the shares of which are listed on the Stock Exchange (stock code: 1421). He also has an appointment of an independent director of Onion Global Limited, a company formerly listed on New York Stock Exchange (stock code: NYSE: OG) and currently listed on U.S. OTC Market (stock code: OGBLY: OG).

Ms. Feng Yuan (馮苑女士), aged 43, was appointed as our independent non-executive Director on 2 June 2022. She is primarily responsible for providing independent advice to our Board. She is the chairperson of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Ms. Feng has over 10 years of experience in business relating to information technology. From April 2007 to July 2019, she worked at iPanel.TV Inc. (深圳市茁壯網絡股份有限公司), a company principally engages in technical development and consultation in relation to computer software, with her last positions as secretary to the board, deputy general manager and financial controller. From August 2019 to February 2023, she worked as an assistant to the chairman of Shenzhen YiLiu Technology Co., Ltd., which is mainly engaged in the technical development and sales of computer software. Ms. Feng has served as the chief operating officer (COO) of Shenzhen Zhongyun Network Co., Ltd. since February 2023, which is mainly engaged in the technical development and sales of information security products.

Ms. Feng completed China Europe International Business School’s Executive Master of Business Administration (EMBA) program in July 2021 and received her Master of Business Administration (MBA) in August 2021, also, she obtained a bachelor’s degree of management in information management and information system and a master’s degree of management from the Sichuan Normal University (四川師範大學) in July 2004 and June 2007, respectively.

SENIOR MANAGEMENT

Ms. Li Xiaoli (李小莉女士), aged 54, is the chief financial officer of our Group and is responsible for the overall accounting and financial management of our Group.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Li has around 30 years of experience in accounting and financial management. From June 1991 to April 2008, Ms. Li worked in the finance and audit departments of No. 4820 Factory of the People's Liberation Army* (中國人民解放軍第4820工廠) (currently known as Yichang 4820 Mechanical and Electrical Co., Ltd.* (宜昌四八二〇機電有限公司)), a company principally engages in the manufacture of electrical products and sells household appliances. From May 2008 to March 2013, she worked as an auditor in an accounting firm, which is currently known as Beijing Dadi Certified Public Accountants (Special General Partnership)* (北京大地泰華會計師事務所(特殊普通合伙)). From March 2013 to March 2015, Ms. Li worked as an audit consultant at Guangzhou Zengxinhongri Certified Public Accountants Co., Ltd.* (廣州市增信鴻日會計師事務所有限公司). Ms. Li joined Hubei Qiangda in June 2015 and has been the chief financial officer of Hubei Qiangda since then.

Ms. Li graduated from Yichang Teachers College* (宜昌師範專科學校) majoring in Chinese language and literature in June 1991. She also graduated from People's Liberation Army University of Naval Staff* (中國人民解放軍海軍職工大學) majoring in accounting in December 1997. Ms. Li was accredited as an intermediate accountant by the Ministry of Finance of the PRC in September 2003 and became a certified public accountant in September 2008. She also became a registered tax agent in November 2005 and was accredited as a senior management accountant by China Association of Chief Financial Officers in February 2021.

Mr. Bao Zhigang (包志剛先生), aged 47, is the chief technology officer of our Group and is responsible for the overall technology development of our Group.

Mr. Bao has over 15 years of experience in the paper industry. From December 2001 to April 2005, Mr. Bao worked as a product manager of Shantou Qiangyu Packaging Co., Limited* (汕頭市強宇包裝材料有限公司), a company principally engages in the manufacture of paper and plastic three-dimensional coating products (紙塑三維鍍膜製品). From April 2005 to April 2011, he worked as a factory manager of Hubei Qiangyu Packaging Material Co., Ltd.* (湖北強宇包裝材料有限公司) (currently known as Hubei Tonghuan Trading Co., Ltd.* (湖北同歡貿易有限公司)), which manufactured and sold paper products, plastic laser film and outer packaging plastic products. Mr. Bao joined Hubei Qiangda as factory manager in June 2011 and was promoted to the position of chief technology officer in April 2020.

Mr. Bao completed secondary education in the PRC in July 1996. He is studying marketing (marketing and planning stream) at Open University of China (國家開放大學) through distance learning and is expected to graduate in July 2023.

Mr. Song Zhengmei (宋正美先生), aged 39, is the chief product officer of our Group and is responsible for the overall production of our Group.

Mr. Song has over 10 years of experience in product quality control. From June 2008 to May 2017, Mr. Song worked as a quality control supervisor of Zhejiang Super Lighting Electric Appliance Co., Ltd. (浙江山蒲照明電器有限公司), a company principally engages in the manufacture of lighting and electronic devices. He joined Hubei Qiangda as office manager in June 2017 and was promoted to the position of chief product officer in January 2021.

Mr. Song graduated from Wuhan Polytechnic (武漢職業技術學院) majoring in numerical control technology in June 2008. He later obtained a bachelor's degree in business management from Wuhan University of Technology (武漢理工大學) on a part-time basis through distance learning in December 2020.

Save as disclosed above, each of our senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensuring high standards of corporate governance and business practices. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). For the year ended 31 December 2025, the Board is of the view that the Company has complied with all the applicable code provisions of the CG Code, except for the deviation from code provision C.5.1 of the CG Code, which is explained in the section headed “Board Meetings” below.

The Board establishes the Company’s purpose, values and strategy, and considers that these are aligned with the culture of the Group. The Board seeks to promote a culture of integrity, accountability and lawful, ethical and responsible conduct across the Group, and will continue to monitor such alignment through its oversight of strategy execution, governance practices, risk management and stakeholder engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries being made by the Company, confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2025.

Pursuant to Rule B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of Directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he or she carries out his or her duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Board Composition

Up to the date of this report, the Board comprised six Directors, including two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Chen Weizhuang (*Chairman*)

Mr. Yu Tianbing (*Chief Executive Officer*)

CORPORATE GOVERNANCE REPORT

Non-executive Director

Mr. Hu Haoran

Independent Non-executive Directors

Mr. Liu Yimin
Mr. Chen Yeung Tak
Ms. Feng Yuan

The details of Directors are set out in the section headed “Biography of Directors and Senior Management” on pages 12 to 15 of this annual report.

The length of tenure and current period of appointment of the Directors as at the date of this annual report are set out below:

Name of Director	Position	Date of first appointment as Director	Length of tenure as at the date of this annual report	Current period of appointment
Mr. Chen Weizhuang	Chairman and Executive Director	21 April 2021 (appointed as director); 20 May 2021 (re-designated as an executive director)	About 4 years and 11 months (as director); about 4 years and 10 months (as executive director)	Three-year term automatically renewable unless terminated in accordance with the service contract
Mr. Yu Tianbing	Executive Director and Chief Executive Officer	19 July 2021	About 4 years and 8 months	
Mr. Hu Haoran	Non-executive Director	19 July 2021	About 4 years and 8 months	One-year term automatically renewable unless terminated in accordance with the letter of appointment
Mr. Liu Yimin	Independent Non-executive Director	2 June 2022	About 3 years and 10 months	
Mr. Chen Yeung Tak	Independent Non-executive Director	2 June 2022	About 3 years and 10 months	
Ms. Feng Yuan	Independent Non-executive Director	2 June 2022	About 3 years and 10 months	

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. The positions of chairman and chief executive officer are currently held by Mr. Chen Weizhuang and Mr. Yu Tianbing, respectively. Their respective responsibilities are clearly defined and set out in writing. The primary role of the chairman is to provide leadership for the Board and to formulate the business strategies of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business.

There is no financial, business, family or other material or relevant relationship between the Chairman and the Chief Executive Officer.

BOARD MEETINGS

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the Executive Director and chief executive officer and management of the Group.

For the year ended 31 December 2025, three Board meetings were held and the attendance of each Director is set out below:

Directors	Number of Attendance
<i>Executive Directors</i>	
Mr. Chen Weizhuang (<i>Chairman</i>)	3/3
Mr. Yu Tianbing (<i>Chief Executive Officer</i>)	3/3
<i>Non-executive Director</i>	
Mr. Hu Haoran	3/3
<i>Independent Non-executive Directors</i>	
Mr. Liu Yimin	3/3
Mr. Chen Yeung Tak	3/3
Ms. Feng Yuan	3/3

Code provision C.5.1 of the CG Code provides that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2025, the Company held three Board meetings and therefore did not fully comply with code provision C.5.1. However, the Directors were kept informed of the Group's business operations and development by the management from time to time, and written resolutions were passed by the Board where appropriate. The Board considers that sufficient measures have been taken to ensure that the Directors were able to discharge their duties effectively during the year.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2025, one general meeting of the Company was held and the attendance of each Director is set out below:

Directors	Number of Attendance
<i>Executive Directors</i>	
Mr. Chen Weizhuang (<i>Chairman</i>)	1/1
Mr. Yu Tianbing (<i>Chief Executive Officer</i>)	1/1
<i>Non-executive Director</i>	
Mr. Hu Haoran	1/1
<i>Independent Non-executive Directors</i>	
Mr. Liu Yimin	1/1
Mr. Chen Yeung Tak	1/1
Ms. Feng Yuan	1/1

During the year ended 31 December 2025, in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, the Board consists of three independent non-executive Directors, and one of them, namely Mr. Chen Yeung Tak, possesses appropriate professional qualifications or accounting or related financial management expertise. For the year ended 31 December 2025, the number of independent non-executive Directors represents at least one-third of the Board which is in compliance with Rule 3.10A. As such, the Company believes that there is sufficient independence element in the Board to safeguard the interests of the shareholders of the Company.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and each of them confirmed that he/she is independent of the Company and there has been no circumstances which would render them not to be independent as contemplated under the Listing Rules. Based on the confirmations received and upon the recommendation of the Nomination Committee, the Board considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules. None of the Independent non-executive Directors have served more than nine years as at the date of this annual report.

Mechanism ensuring sufficient independent views to the Board

The Board recognises Board independence is critical to good corporate governance. The Company has put in place the mechanisms to ensure a strong independence element on the Board, which are summarised below:

Board Composition

The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

CORPORATE GOVERNANCE REPORT

Independence Assessment

The Nomination Committee shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his independence.

The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

Decision Making

All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest.

The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract for a term of three years with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and Independent Non-executive Director has entered into a letter of appointment for a term of one year with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than one month prior written notice.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and a retiring Director shall be eligible for re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the first annual general meeting after his/her appointment and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE REVIEW

The Board recognises the importance of periodic evaluation of its performance and effectiveness. During the year, the Board conducted a formal evaluation of its performance, covering, among other matters, Board composition, Board processes, effectiveness of information flow, oversight of strategy, risk management and internal controls, and the performance of Board committees. The review was conducted internally by way of questionnaire and discussion among Directors. Based on the evaluation conducted, the Board considered that it continued to operate effectively during the year.

BOARD SKILLS MATRIX

The Board has considered the mix of skills, experience and diversity of perspectives represented on the Board and considers that the current Board possesses skills and experience appropriate to the Group's business and strategic development, including manufacturing and operations, industry and business management, finance and accounting, legal and regulatory compliance, corporate governance and capital markets experience. The Board will continue to review its composition from time to time having regard to the Company's business needs, succession planning and strategic direction.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code C.1.4 of the CG Code, all the Directors have participated in continuous professional development by attending training courses or reading relevant materials on the topics related to corporate governance and relevant update of the Listing Rules. The Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

The training each director received during FY2025 is summarised as below:

	Attending training courses or reading relevant materials on the topics related to corporate governance and relevant update of the Listing Rules
<i>Executive Directors</i>	
Mr. Chen Weizhuang (<i>Chairman</i>)	✓
Mr. Yu Tianbing (<i>Chief Executive Officer</i>)	✓
<i>Non-executive Director</i>	
Mr. Hu Haoran	✓
<i>Independent Non-executive Directors</i>	
Mr. Liu Yimin	✓
Mr. Chen Yeung Tak	✓
Ms. Feng Yuan	✓

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “Board Diversity Policy”) pursuant to requirement of the CG Code. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board Diversity Policy sets out that when considering the nomination and appointment of a director, with the assistance of the Nomination Committee, the Board would consider a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of perspectives that the candidate is expected to bring to the Board and what would be the candidate’s potential contributions, in order to better serve the needs and development of the Company. The board diversity policy also seeks to attract, retain and motivate the Directors and other staff from the widest pool of available talent. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one member with immediate effect and may further increase in the next five years. Since the Listing Date and as at the date of this annual report, the Board comprised one female Board member, in which case the Board considered gender diversity has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the Board Diversity Policy at least annually and make recommendation on any proposed changes to the Board for the Board’s review and approval to ensure its continued appropriateness and effectiveness. The Board and the Nomination Committee had reviewed the implementation and effectiveness of the board diversity policy and was of the view that the board diversity policy and its implementation was sufficient and effective. In considering Board composition, the Company takes into account a number of factors including skills, knowledge, experience, gender, age, cultural and educational background and professional experience, with a view to maintaining an appropriate balance of diversity of perspectives on the Board.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

CORPORATE GOVERNANCE REPORT

Workforce Diversity

As at 31 December 2025, the Group had a total of 80 employees (including senior management but excluding Directors), of whom 3 were members of senior management and 77 were other employees. The gender ratio of the Group's senior management was approximately 67% male and 33% female. The gender ratio of the Group's workforce excluding senior management and Directors was approximately 68% male and 32% female. The Company recognises the importance of gender diversity and endeavours to take steps to promote gender diversity at all levels of the Company (including the Board).

The Group strictly adheres to fair and appropriate employment practices and labour standards. The Group provides job applicants and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age. The Board considered that gender diversity of the workforce of the Group has been well maintained during the year ended 31 December 2025. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the balance of gender diversity in the foreseeable future.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on the directors' and officers' liabilities in respect of any legal actions that may be taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Company.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

Audit Committee

The Company has established the Audit Committee on 2 June 2022 with written terms of reference. The composition of the Audit Committee meets the requirement of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee, among others, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, monitor the integrity of the Company's financial statements, review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, review the financial controls, and risk management and internal control systems of the Company perform other duties and responsibilities assigned by the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chen Yeung Tak, Mr. Liu Yimin and Ms. Feng Yuan. Mr. Chen Yeung Tak is the chairperson of the Audit Committee.

Meetings of the Audit Committee shall be held not less than twice a year. Details of the authority and duties of Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2025:

- reviewed the consolidated financial statements for the year ended 31 December 2024 and for the six months ended 30 June 2025, the annual report for the year ended 31 December 2024 and the interim report for the six months ended 30 June 2025, the related accounting principles and practices adopted by the Group, the report from the management on the Company's review of the risk management and internal control systems, and recommendation of the re-appointment of the external auditor;
- reviewed the annual audit plan of the external auditor including the nature and scope of the audit, its independence and objectivity, the fee payable to them, their reporting obligations and their work plan; and
- reviewed the effectiveness and performance of the Company's financial reporting system, risk management and internal control systems.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

For the year ended 31 December 2025, three Audit Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. Chen Yeung Tak (<i>Chairperson</i>)	3/3
Mr. Liu Yimin	3/3
Ms. Feng Yuan	3/3

Remuneration Committee

The Company has established the Remuneration Committee on 2 June 2022 with written terms of reference. The primary duties of the Remuneration Committee, among others, are to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of individual Executive Directors and senior management and ensure none of the Directors determine their own remuneration. The Remuneration Committee consists of two Independent Non-executive Directors, namely Ms. Feng Yuan and Mr. Chen Yeung Tak and the chairman of the Board, Mr. Chen Weizhuang. Ms. Feng Yuan is the chairperson of the Remuneration Committee.

Meetings of the Remuneration Committee shall be held at least once a year. Details of the authority and duties of Remuneration Committee are set out in the Remuneration Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2025, one Remuneration Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Ms. Feng Yuan (<i>Chairperson</i>)	1/1
Mr. Chen Yeung Tak	1/1
Mr. Chen Weizhuang	1/1

The Remuneration Committee has adopted the model described in Code Provision E.1.2(c)(ii) of the CG Code, namely to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2025:

- reviewed the remuneration of Directors and senior management;
- assessed the performance of executive Directors;
- made recommendations to the Board on the remuneration of individual Executive Directors and senior management; and
- reviewed the Company's share option scheme.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and the recommendations of the Remuneration Committee.

Details of the Director's remuneration in the Group and the five highest paid individuals are set out in note 10 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2025 is set out below:

Remuneration band (RMB)	Number of person(s)
Nil to 1,000,000	3

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Company established the Nomination Committee on 2 June 2022 with written terms of reference. The primary duties of the Nomination Committee, among others, are to review the structure, size, composition and diversity of the Board, and select or make recommendations on the selection of individuals nominated for directorships. The Nomination Committee is also responsible for assessing the time commitment and contribution of each Director, considering whether each Director is able to devote sufficient time to discharge his/her responsibilities effectively having regard to his/her qualifications, work experience, listed company directorships and other significant external commitments, and supporting the Board's regular evaluation of its performance and effectiveness. The Nomination Committee consists of three members, comprising two Independent Non-executive Directors, namely Mr. Liu Yimin and Ms. Feng Yuan and one Executive Director namely Mr. Yu Tianbing. Mr. Liu Yimin is the chairperson of the Nomination Committee.

The Company adopted a nomination policy on 2 June 2022. In conjunction with the board diversity policy, the Board shall consider a number of criteria on the appointment of Directors, and succession planning for Directors, as well as re-appointment of Directors. The criteria include character and integrity, professional qualifications, skills, knowledge, experience, potential contributions to the Board, as well as willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board commitment(s).

Meetings of the Nomination Committee shall be held at least once a year. Details of the authority and duties of Nomination Committee are set out in the Nomination Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2025, one Nomination Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. Liu Yimin (<i>Chairperson</i>)	1/1
Ms. Feng Yuan	1/1
Mr. Yu Tianbing	1/1

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2025:

- considered the appointment or re-appointment of the Directors;
- reviewed the board diversity policy;
- reviewed the independence of the independent non-executive Directors;
- reviewed the structure, size, composition and diversity of the Board;
- assessed the time commitment and contribution of each Director and considered that each Director had devoted sufficient time to discharge his/her responsibilities effectively; and
- reviewed succession planning for the Board.

CORPORATE GOVERNANCE REPORT

The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is reviewed annually and are subject to shareholders' approval.

NOMINATION POLICY

The Company has adopted a nomination policy (the "Nomination Policy") which sets out the approach and procedures the Board adopts for the nomination and selection of Directors of the Company, including the appointment of additional Directors, replacement of Directors, and re-election of Directors. The Nomination Committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of the policy, and the summary of which is set out below:

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria would be considered by the Nomination Committee and the Board:

- the candidate's character and integrity;
- the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

CORPORATE GOVERNANCE REPORT

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

- i. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- ii. Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

- i. Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- ii. Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing and has performed in compliance with the corporate governance duties as set out in the CG Code which includes to develop and review the Group's policies and practices on corporate governance; to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the financial statements is set out in the report of the Independent Auditor's report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration paid and payable for the year ended 31 December 2025 to the Company's external auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered to the Group	RMB'000
Audit services	995

COMPLIANCE ADVISER

For the purpose of and in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed Grande Capital Limited as its Compliance Adviser for the period commencing from the Listing Date and ending on the date of dispatch of the annual report of the Company containing its financial results for the full year ending 31 December 2025.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining an adequate system of internal controls and risk management of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control and risk management systems to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control and risk management systems of the Group through Audit Committee. The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept informed of significant risks that may impact on the Group's performance. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee has received the risk management and internal control evaluation reports prepared by the external internal control review consultant. The reports summarised information relating to the work carried out in the following areas:

1. the results of selective testing of internal control procedures, operation, and the financial records of the Company;
2. a general evaluation of risk management and internal control systems installed by the Company; and
3. an outline of major control issues, if any, noticed during the year under review.

CORPORATE GOVERNANCE REPORT

The Audit Committee has reviewed the reports and discussed with the management. The Audit Committee acknowledged that the management has been progressively implementing adequate and effective risk management and internal control systems in order to ensure the effective functioning of the Company's operations. The Board of Directors is therefore of the view that the risk management and internal control systems of the Group are effective and adequate. The review on the risk management and internal control systems of the Group would be done on an annual basis. Although the Group does not have an internal audit function, the Board considers that the review on the risk management and internal control systems by the Audit Committee and the Board on a regular basis as well as engaging external internal control review consultant to review the adequacy and effectiveness of the Group's internal control systems would be sufficient to ensure the effective operation of the Group. The Board has reviewed the need for an internal audit function during the year and, having considered the size, nature and complexity of the Group's business and the existing internal control review arrangements, considered that the absence of an internal audit function remained appropriate for the time being. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

The Company has established and implemented relevant procedures and internal controls for the handling and dissemination of inside information, including restricting employee access to inside information on a need-to-know basis and ensuring that those who need to know understand the obligation of keeping the information confidential. All inside information is disclosed to the public pursuant to the requirements under the Securities and Futures Ordinance and the Listing Rules and kept strictly confidential before disclosure.

The Company has established whistleblowing arrangements for employees and those who deal with the Group to raise concerns, in confidence and anonymity where appropriate, about possible improprieties in financial reporting, internal control or other matters.

The Company has also adopted anti-corruption and anti-bribery policies and procedures to promote and support compliance with applicable anti-corruption laws and regulations. Relevant guidance and/or training is provided to employees from time to time to reinforce ethical business conduct and compliance awareness.

COMPANY SECRETARY

Mr. Yu Tsz Ngo ("Mr. Yu") is the Company Secretary of the Company. Mr. Yu is a director of a corporate secretarial services provider in Hong Kong. Mr. Chen Weizhuang, the Chairman and executive Director, is the primary corporate contact person of the Company with the Company secretary. In compliance with Rule 3.29 of the Listing Rules, Mr. Yu has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2025.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

CORPORATE GOVERNANCE REPORT

- The EGM shall be held within two months after the deposit of such requisition.

If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, 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 raising enquires

- Shareholders should direct their enquires about their shareholdings to the Company's branch share registrar in Hong Kong by post to 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.
- Shareholders may raise questions, request for publicly available information and provide comments and suggestion to the Directors and management of the Company and can be addressed to the Company by post to Unit 2004-6, 20th Floor, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong.
- Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

- To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Unit 2004-6, 20th Floor, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong for the attention of the Board or the Company Secretary of the Company.
- The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.
- An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The annual general meeting provides a platform for communication between the Board and the shareholders. The Chairman of the Board as well as the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees, are available to answer questions at shareholders' meeting.

CORPORATE GOVERNANCE REPORT

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.weiliholdings.com as a channel to facilitate effective communication with the shareholders.

The Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy, details of which is summarised below:

Shareholders' Meetings

- The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.
- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.weiliholdings.com) and by post to the Shareholders.
- The Directors, in particular, the chairperson of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.
- The chairperson of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles of Association. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.weiliholdings.com) subsequent to the close of the general meetings.

Corporate Communications

- The Company will send (by post or by electronic means as permitted by the Articles of Association or the Listing Rules) corporate communications of the Company, which include annual reports, interim reports, notices of shareholders' meeting, listing documents, circulars, and proxy forms, to the Shareholders.
- Shareholders are encouraged to provide their up-to-date contact details to the Hong Kong branch share registrar of the Company in order to facilitate timely and effective communications.

Company's Website

- The Company's website (www.weiliholdings.com) provides the Shareholders with corporate information on the Group. It also provides information on corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.

CORPORATE GOVERNANCE REPORT

- In addition to the “Investor Relations” section in which corporate communications of the Company are posted as soon as practicable following their release on the Stock Exchange’s website (www.hkexnews.hk), press releases and newsletters issued by the Company from time to time are also available on the Company’s website to facilitate communication between the Company, Shareholders and investment community.
- Information on the Company’s website is updated on a regular basis.

Communication with the Company

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Unit 2004–6, 20th Floor, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong.

Shareholders may at any time make a request for the Company’s information to the extent such information is publicly available.

The Company highly values the view and comment by the Shareholders’ and relevant stakeholders to the Company and would invite the Shareholders’ and relevant stakeholders to communicate with the Company by employing the abovementioned means.

The Board is of the view that the shareholders’ communication policy implemented for the year ended 31 December 2025 was sufficient and effective. The Company’s communication channels with shareholders include annual general meetings and other general meetings, publication of corporate communications and announcements on the websites of the Stock Exchange and the Company. The Board and management will continue to review these channels and consider shareholders’ feedback with a view to enhancing investor communication.

DIVIDEND POLICY

The Company has adopted a dividend policy which sets out the principles and guidelines that the Company follows in relation to the declaration and payment of dividends. A summary of the dividend policy is set out in the section headed “Dividend Policy” in the Report of the Directors of this annual report. The Board has resolved not to recommend the declaration of a final dividend for the year ended 31 December 2025. Such decision was made by the Board in accordance with the dividend policy.

CONSTITUTIONAL DOCUMENTS

There had been no changes in the constitutional documents of the Company during the year ended 31 December 2025.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated with limited liability in Cayman Islands on 21 April 2021.

Pursuant to a reorganisation scheme (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Stock Exchange (the “Listing”), the Company became the holding company of the companies now comprising the Group on 6 May 2021.

Details of the Reorganisation are set out in section headed “History, Development and Reorganisation” in the Prospectus.

The Shares of the Company were listed on the Stock Exchange on 30 June 2022 (the “Listing Date”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in manufacturing and sales of cigarette packaging paper in the People’s Republic of China (the “PRC”). There were no significant changes to the Group’s principal activities during the year ended 31 December 2025.

RELATIONSHIP WITH KEY STAKEHOLDERS

The sustainable development of the Group also depends on the support from key stakeholders which comprise of customers, suppliers and employees.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2025, the largest and the top five customers of the Group accounted for approximately 38.5% (2024: approximately 19.1%) and approximately 85.3% (2024: approximately 61.4%) of the Group’s revenue, respectively, for the year.

During FY2025, the Group’s purchase from the largest and the top five suppliers accounted for approximately 25.6% (2024: approximately 32.6%) and approximately 58.5% (2024: approximately 72.0%) of the Group’s total purchase, respectively, for the year.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company), had any interest in any of the Group’s top five customers or suppliers.

REPORT OF THE DIRECTORS

EMPLOYEES

The Group is committed to upholding the principles of equal opportunities, diversity and anti-discrimination in its workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to gender, age, cultural and educational background, nationality, ethnicity, industry experience, skills and knowledge. The Group conducts performance appraisal to analyse employees' personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to employees based on their performance appraisal.

RESULTS/BUSINESS REVIEW

A 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 Management Discussion and Analysis set out on pages 5 to 11 of this annual report. This discussion forms part of this report of the Directors.

FUTURE DEVELOPMENT

The future development of the Group's business is set out in the section headed "Management Discussion and Analysis" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2025, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a PRC-based cigarette packaging manufacturer, the Group values environmental sustainability and has been striving to integrate the concept into every part of the daily business operations. Discussion on the Group's environmental policies and performances can be found in Environmental, Social and Governance Report set out on pages 46 to 66 in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2025 are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during FY2025 are set out in the consolidated statement of changes in equity on page 76 and Note 33 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2025 are set out in Note 33 to the consolidated financial statements.

SEGMENT INFORMATION

Details of segment reporting are set out in Note 5 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company information in relation to declaration and payment of dividends. The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management.

The Company does not have any pre-determined dividend distribution ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the provisions of the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends such as results of operations, financial condition, profitability, business development, prospect, capital requirements, future cash requirements and availability for business operations, business strategies and future development needs, any restrictions on payment of dividends, and any other factors that the Board may consider appropriate.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend, and any distribution of profits that the Board may deem appropriate. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association.

DIVIDEND

The Board has resolved not to recommend the declaration of final dividend for FY2024 and FY2025.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Risk Factors" of the Prospectus.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme (as defined below) the Company did not enter into any equity-linked agreement during the year or subsisted at the end of the year ended 31 December 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during FY2025 are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES

Details of subsidiaries of the Company are set out in Note 34 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the “Corporate Governance Report” on pages 16 to 33 in this annual report.

ANNUAL GENERAL MEETING (“AGM”) AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Friday, 22 May 2026. A notice convening the AGM will be issued and despatched to the shareholders of the Company according to the Articles of Association, the Listing Rules and other applicable laws and regulations.

The register of members of the Company will be closed from Tuesday, 19 May 2026 to Friday, 22 May 2026 (both days inclusive), during which period no transfer of shares of the Company may be effected for the purpose of determining the Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificate(s) should be lodged for registration with the Company’s Hong Kong branch share register and transfer office, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Monday, 18 May 2026.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Chen Weizhuang (*Chairman*)

Mr. Yu Tianbing (*Chief Executive Officer*)

Non-executive Director

Mr. Hu Haoran

Independent Non-executive Directors

Mr. Liu Yimin

Mr. Chen Yeung Tak

Ms. Feng Yuan

REPORT OF THE DIRECTORS

In accordance with article 108 of the Articles of Association, Mr. Chen Weizhuang, Mr. Chen Yeung Tak and Ms. Feng Yuan will retire by rotation and, being eligible, will offer themselves for election at the AGM.

The Company has received annual confirmations of independence from each of the independent non-executive Directors required under Rule 3.13 of the Listing Rules. Upon the recommendation of the nomination committee of the Company, the Board considered all independent non-executive Directors to be independent.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 12 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the Executive Directors has entered into a service contract for a term of three years with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and Independent Non-executive Directors has entered into a letter of appointment for a term of one year with the Company commencing from the Listing Date and renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than one month prior written notice.

None of our Directors being proposed for re-election at the forthcoming AGM has any service contract or letter of appointment with any member of our Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

RELIEF OF TAXATION

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) 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 and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company

Name of Directors	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
Mr. Chen Weizhuang ("Mr. Chen")	Interest in a controlled corporation (Note 2)	339,040,000 (L)	42.38%
Mr. Yu Tianbing ("Mr. Yu")	Interest in a controlled corporation (Note 3)	96,000,000 (L)	12.00%

Notes:

- The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
- The Company is owned as to 42.38% by City Ease Limited ("City Ease"). City Ease is wholly-owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the same number of Shares held by City Ease.
- The Company is owned as to 12.00% by Yong Ning Limited ("Yong Ning"). Yong Ning is wholly-owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in the same number of Shares held by Yong Ning.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, so far as it was known to the Directors, 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 positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
City Ease	Beneficial owner (Note 2)	339,040,000 (L)	42.38%
Ms. Liu Yuezhu	Interest of spouse (Note 3)	339,040,000 (L)	42.38%
Enlighten East Limited ("Enlighten East")	Beneficial owner (Note 4)	146,960,000 (L)	18.37%
Yong Ning	Beneficial owner (Note 5)	96,000,000 (L)	12.00%
Ms. Zhou Huaqin	Interest of spouse (Note 6)	96,000,000 (L)	12.00%

Notes:

- The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such Shares.
- The Company is owned as to 42.38% by City Ease. City Ease is wholly-owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the same number of Shares held by City Ease.
- Ms. Liu Yuezhu (劉月珠) is the spouse of Mr. Chen. Under the SFO, Ms. Liu Yuezhu is deemed to be interested in the Shares in which Mr. Chen is interested.
- The Company is owned as to 18.37% by Enlighten East. Enlighten East is owned as to 32.66%, 28.57%, 22.44% and 16.33% by Mr. Hu Haoran, Mr. Wu Bo, Mr. Lu Shunhe and Mr. Lin Huan, respectively, and none of them, together with his respective close associates, controls one-third or more of the voting power at the general meetings of Enlighten East.
- The Company is owned as to 12.00% by Yong Ning. Yong Ning is wholly-owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in the same number of Shares held by Yong Ning.
- Ms. Zhou Huaqin (周華琴) is the spouse of Mr. Yu. Under the SFO, Ms. Zhou Huaqin is deemed to be interested in the Shares in which Mr. Yu is interested.

Save as disclosed above, as at 31 December 2025, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or any treasury shares.

SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 2 June 2022 are set out below:

(1) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(2) Determination of Eligibility

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of ten years after the date of adoption of the Share Option Scheme to make an offer to any employee (whether full time or part time, including Director) of the Company and its subsidiaries.

(3) Total Number of Shares Available for Issue

A maximum of 80,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in our Shares first commence on the Stock Exchange, may be issued upon exercise of all options to be granted under the Share Option Scheme. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the shareholders' approval.

As at 31 December 2025 and the date of this report, no Share options has been granted by the Company and the outstanding number of Share options available for grant under the Share Option Scheme is 80,000,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company. As at the Listing Date and 31 December 2025, the number of options available for grant under the Share Option Scheme was 80,000,000 Shares, respectively. There was no service provider sublimit set under the Share Option Scheme during the year ended 31 December 2025.

REPORT OF THE DIRECTORS

(4) Maximum Entitlement of Each Eligible Person

The total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in a general meeting of our Company with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(5) Option Period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may in their absolute discretion determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Directors may in their discretion determine the minimum period for which an Option has to be held or other restrictions before its exercise.

(6) Minimum Vesting Period

Except for the general vesting period of 12 months required under the Listing Rules, no minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

(7) Acceptance and Payment on Acceptance of the Option

An offer under the Share Option Scheme shall remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made. Upon acceptance of the option, the eligible participants concerned shall pay HK\$1 to the Company as consideration for the grant.

(8) Basis of Determining the Exercise Price

The subscription price in respect of any option granted under the Share Option Scheme shall be such price as determined by the Board, provided that it shall not be less than the highest of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the offer date;
- (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

REPORT OF THE DIRECTORS

(9) Remaining Life

Subject to any prior termination by the Company in a general meeting, the Share Option Scheme shall remain in force for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 December 2025 and there was no outstanding option as at 31 December 2025.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2025 and up to the date of this annual report, there was no arrangement made by the Company or its subsidiaries to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

COMPETING INTERESTS

The controlling shareholders, namely City Ease and Mr. Chen (collectively, the "Controlling Shareholder(s)") had entered into the deed of non-competition in favour of the Company on 16 June 2022 (the "Non-competition Undertaking"). Each of the Controlling Shareholders has confirmed that he/it had complied with the Non-Competition Undertaking for the year ended 31 December 2025. The independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholders with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders for the year ended 31 December 2025.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Related Party Transactions" in Note 29 to the consolidated financial statements, there were no transaction, arrangement and contract of significance, to which the Company's holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted on 31 December 2025 or at any time during the year ended 31 December 2025.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save for those disclosed above or in this report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor 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 FY2025.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during FY2025.

CONNECTED AND RELATED PARTY TRANSACTIONS

On 7 May 2021 and 8 June 2022, the Group entered into agreements (the “Agreements”) with Newpage Financial Press Limited (“Newpage”) for the provision of financial printing services to the Group for the Listing and for a term of not more than three years commencing from the Listing Date, respectively. On 21 April 2026, the Group renewed its agreement (the “Renewal Agreement”) with Newpage for three years. As at the date of the Agreements, the Renewal Agreement and this annual report, Newpage is owned by Mr. Hu Haoran, the non-executive Director of the Company, and an independent third party as to 40% and 60%, respectively.

Since the printing services fees incurred by the Group with Newpage for the year ended 31 December 2025 is less than HK\$3 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5% for the year ended 31 December 2025, the transactions contemplated thereunder constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders’ approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Save for the disclosed in this annual report, the related party transactions disclosed in Note 29 to the consolidated financial statements did not fall under the definition of “connected transactions” or “continuing connected transactions” (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders’ approval requirements under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RETIREMENT SCHEME

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at certain percentage of the employees’ payroll. The retirement benefit scheme contributions made by the Group amounted to approximately RMB603,000 (2024: approximately RMB678,000) during the year ended 31 December 2025. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 31 December 2025.

For FY2025 and FY2024, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the years ended 31 December 2025 and 31 December 2024 are set out in Note 10 to the consolidated financial statements.

During FY2025, none of the directors or the five highest paid individuals (2024: Nil) waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company confirms that it complied with the minimum prescribed public float of 25% of the Company's total number of issued shares in that class under Rule 13.32B of the Listing Rules for the year ended 31 December 2025 and up to the date of this annual report.

REVIEW OF AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the consolidated financial statements.

AUDITOR

PricewaterhouseCoopers resigned as auditor of the Company on 3 September 2025 and Deloitte Touche Tohmatsu has been appointed as the auditor of the Company on 3 September 2025. Except as disclosed above, there have been no other changes in auditor during the preceding three years. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2025 have been audited by Deloitte Touche Tohmatsu.

EVENTS AFTER 31 DECEMBER 2025

There is no material subsequent event requiring disclosure that has taken place after 31 December 2025 and up to the date of this annual report.

On behalf of the Board
Mr. Chen Weizhuang
Chairman

25 March 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to the customers. The Group supplies products primarily to cigarette package manufacturers which operate in different provinces of the PRC, mainly including Hubei Province and Henan Province. The products sold by the Group are used in the manufacture of cigarette packages for well-known cigarette brands in the PRC.

The Group is pleased to publish the environmental, social and governance (the “ESG”) report (the “ESG Report”), which summarised the ESG management approaches, environmental and social performance of the Group for FY2025.

BOARD STATEMENT

The Board of Directors (the “Board”) values environmental sustainability and has been striving to integrate the concept into every part of the Group’s daily business operations. The Board has incorporated the ESG issues into the Group’s business strategy. To enhance the Group’s resilience and adaptive capacity to potential ESG-related risks and opportunities, all potential ESG issues are covered and evaluated in the annual risk assessment.

The Group has a well-established governance structure to effectively oversee its ESG issues and manage its sustainability performance. The Board has the ultimate responsibility for overseeing the Group’s ESG-related risks and opportunities, establishing the ESG-related strategies and targets of the Group, and reviewing the Group’s performance annually against the ESG-related targets.

Power and authority were delegated to the Group’s executive committee and department heads to handle all ESG-related matters with work of formulating the ESG strategies, executing ESG plan, identifying ESG-related risk and achieving the ESG related goals set up by the executive committee. The Board required the executive committee to provide updates on ESG related laws and regulations, the process and difficulties during implementation.

The executive committee will also regularly review the implementation effectiveness of relevant ESG associated issues, environmental targets are being approved by the Board and required to be updated and cope with the latest regulatory requirements before issuance of the ESG Report.

To ensure all the long-term sustainability goals and targets are relevant to the Group, the Board keeps track and continuously reviews the sustainability priorities through regular stakeholder engagement and embeds the results into the Group’s sustainability initiatives and strategies. The Board also takes into consideration the industry practices, international trends, benchmarks against peers in setting and evaluating the Group’s environmental and social key performance indicators as well as other ESG topics that are material to the Group’s principal business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING BOUNDARIES AND PRINCIPLES

The boundary is consistent with the business units stated in the annual report, which covers the Group's business operations in relation to the manufacturing and sales of cigarette packaging paper in the PRC. The environmental and social key performance indicators disclosure mainly focuses on the Group's production facility operation and office operation in the PRC during FY2025.

The Report was prepared in accordance with the ESG Reporting Guide as set out in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange and is in adherence with the ESG reporting principles of materiality, quantitative, balance and consistency. In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant KPIs, and there is no change from previous year in the way the ESG Report has been prepared, unless otherwise stated.

The Group has complied the ESG Report in adherence with the following ESG reporting principles:

- Materiality: The Group selected and identified material ESG issues that are significant to the stakeholders and the Group by performing stakeholder engagement and materiality assessment analysis. The information of the stakeholder engagement and materiality assessment has been disclosed in the relevant section under this ESG Report.
- Quantitative: Information of the standards, methodologies, assumptions and source of conversion factors used, for the reporting of emissions and energy consumption has been disclosed. Please refer to the relevant section in this ESG Report for details.
- Balance: This ESG Report presented the Group's environmental and social performance in an impartial basis to provide an objective reporting disclosure for readers.
- Consistency: The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous review year.

In order to gain an in-depth understanding of stakeholders' expectations for the Group's sustainable development and to improve the Group's ESG performance, the Board continue to communicate with the Group's stakeholders and invite them on a regular basis to participate in materiality assessments, refer to the opinions of different stakeholders to determine the priority of different ESG issues, and formulate the Group's sustainable development strategy. Information on stakeholder communication channels and the materiality assessment conducted by the Group are set out in the sections "Stakeholder Engagement" and "Materiality Assessment" respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT

The Group believes that maintaining continuous communication with its stakeholders enables the Group to have a sound grasp of the potential impacts of its business strategies and make informed decisions. Being transparent and honest to the Group's stakeholders is one of the key activities to maintain sustainable development. The following table summarised the aspects that each stakeholder is concerned about and the corresponding communication channels:

Stakeholders	Areas of Concerns and expectations	Communication channels
Shareholders	<ul style="list-style-type: none"> • Investment returns • Sustainable business development • Transparent financial information 	<ul style="list-style-type: none"> • Company website • General meetings • Corporate reports and announcements
Employees	<ul style="list-style-type: none"> • Good work environment • Business sustainability and job security • Career development and promotion • Remuneration and benefits, recognition and reward • Career development • Remuneration and benefits • Occupational health and safety 	<ul style="list-style-type: none"> • Emails and suggestion box • Employee meeting • Annual employee performance review • Employee training • Team building activities
Customers	<ul style="list-style-type: none"> • Quality product and services • On-time delivery • Reasonable prices and personal data protection 	<ul style="list-style-type: none"> • Customer feedback and complaints • Customer visit
Suppliers	<ul style="list-style-type: none"> • Business opportunities, mutual beneficial relationship for sustainable business • Fair and open competition • Effective collaboration 	<ul style="list-style-type: none"> • Supplier qualification and performance assessment • On-going direct engagement
Regulatory agencies	<ul style="list-style-type: none"> • Compliance with relevant laws and regulations • Prevention of tax evasion • Information disclosure and reporting materials 	<ul style="list-style-type: none"> • Company website and announcements • Inspections • Tax returns and other information
Community	<ul style="list-style-type: none"> • Community development • Employment opportunities • Environmental protection • Social welfare 	<ul style="list-style-type: none"> • Community activities • Press releases and announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

To ensure the effectiveness of stakeholders engagement, the Group has conducted a materiality assessment in this ESG Report. The Group identified the following 16 ESG issues based on the existing operations, and taking into the consideration of the disclosure requirements of “Environmental, Social and Governance Reporting Guide”

The Group will regularly review the material issues to ensure that the importance of each aspect of issues to different stakeholders can be accurately addressed. During FY2025, no significant change in the material ESG issues was identified as there was no material change in the Group’s operation scope.

The management and staff of each of the Group’s key functions have been involved in the preparation of this Report to assist the Group in reviewing its operations and identifying relevant ESG issues. In order to better understand stakeholders’ views and expectations of the Group’s ESG performance, the Group has collected opinion on key ESG issues from the Group’s stakeholders, including but not limited to employees and management.

The Group’s materiality table for FY2025 is as follows:

Subject Areas	Aspect	ESG issues
A. Environmental	A1: Emissions	Air emissions Greenhouse gas emissions Non-hazardous waste
	A2: Use of Resource	Energy saving Water consumption Packaging material used
B. Social	B1: Employment	Employee policy
	B2: Health and Safety	Safe working environment and protecting employees from occupational hazards
	B3: Development and Training	Staff training
	B4: Labour Standards	Prohibition of child labour and forced labour
	B5: Supply Chain Management	Selecting suppliers based on their awareness of environmental and social responsibility
	B6: Product Responsibility	Product quality Protecting customers’ privacy Protecting intellectual property right
	B7: Anti-corruption	Anti-corruption
	B8: Community Investment	Community investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

The Group is committed to conducting business operations to comply with all applicable environmental laws and regulations, and endeavour to mitigate any negative effects of our operations on the environment. The Group has implemented various measures to ensure our compliance with the applicable environmental protection laws and regulations and our environmental management system has been certified to be in compliance with ISO 14001 certification.

During FY2025, the Group has complied with the applicable environmental laws and regulations that have significant impact on the Group in all material respects, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》).

A1. Emissions

A1.1 Air emissions from the use of vehicles and gaseous fuel consumption

The Group's air emissions are mainly derived from the combustion of fuels in motor vehicles and gaseous fuel consumption for cooking in the office. As at 31 December 2025 and 2024, the Group owned 34 motor vehicles and the details of the air emissions data are set out as follows:

	Unit	FY2025	FY2024
Nitrogen oxides (NO _x)	g	6,167.23	6,315.14
Sulphur oxides (SO _x)	g	156.89	205.87
Particulate matter (PM)	g	454.08	464.97

Please refer to the paragraph headed "A1.5. Measures to mitigate emissions" below in this section of the ESG Report for further details of fuel-saving practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.2 Direct (scope 1) and indirect (scope 2) greenhouse gases (“GHG”) emission

For GHG emission, the major direct emission (scope 1) is contributed by the combustion of fuels in motor vehicles, while the indirect emission (scope 2) is resulted from the electricity consumption. Details of the GHG emission data are set out as follows:

	Unit	FY2025	FY2024
Scope 1: Direct emissions from operations that are owned or controlled by the Company	tCO ₂ e	29.73	32.56
Scope 2: Indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company	tCO ₂ e	1,323.43	1,301.10
Total GHG emissions	tCO ₂ e	1,353.16	1,333.66
Emission intensity	tCO ₂ e per million RMB revenue	12.76	11.91

The total GHG emission decreased from approximately 1,333.66 tCO₂e for FY2024 to approximately 1,353.16 tCO₂e for FY2025. Such increase was due to the usage of gas in the cafeteria has increased by 86 kg compared to last year.

Please refer to the paragraph headed “A1.5. Measures to mitigate emissions” below in this section of the ESG Report for further details of the fuel and energy-saving measures.

A1.3 Hazardous waste produced

To the best knowledge of the Directors, the Group was not aware of any significant amount of hazardous wastes generated in its operation during FY2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.4 Non-hazardous waste produced

The major source of the Group's non-hazardous waste produced included solid waste produced during the manufacturing process. Details of the non-hazardous waste data is set out as follows:

	Unit	FY2025	FY2024
Solid waste	tonne	198.18	18.34
Solid waste intensity	tonne/million RMB revenue	1.87	0.16

A1.5 Emission target and measures to mitigate emissions

All practicable practices are adopted to closely monitor and mitigate the environmental impact of the operations.

Although the Group is expected to expand its business operation and headcounts in the coming years, the Group targets to maintain its air emission and GHG emissions at the current level in the coming years by the below measures.

The Group's major source of GHG emissions generated from the production process mainly include the usage of electricity. Each of the laminating machines is equipped with overhead ventilation system which helps to filter GHG before emission. The fan blades of ventilation system are cleaned regularly and the equipment for filtering dust and smoke is maintained regularly to ensure its normal operation. In order to save energy and reduce emissions, the Group promote and adopt the use of energy-saving and efficient equipment, and switch off machinery and electronic appliances when they are not in use.

A1.6 Waste management

The Group has obtained pollutant discharge permit to discharge industrial wastewater and sewage legally. Wastewater produced during operation is mainly domestic sewage, which is processed through wastewater treatment facilities prior to being discharged to municipal wastewater system.

Although the Group is expected to expand its business operation in the coming years, the Group targets to maintain its wastes at the current level in the coming years by the below measures. In order to reduce the impact of solid waste on the environment, the Group has formulated clear guidelines for employees to identify, collect, store and dispose solid waste. Proper trainings are provided for employees on waste classification. Reusable waste, such as paper and toner cartridge are handled by third-party waste management and recycling companies. Other waste which cannot be recycled are handled by waste disposal companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

The Group implements various measures to reduce wastage and consumption levels at the production facility. The Group has promoted various energy conservation measures, including promoting and adopting the use of energy-saving and efficient equipment and switching off machinery and electronic appliances when they are not in use. The Group has also established water conservation measures such as conducting periodic checks and maintenance on water supply system to avoid any leakage of faucets and gaskets.

A2.1 Energy consumption

Details of the energy consumption are set out as follows:

	Unit	FY2025	FY2024
Fuel consumption	kWh	111,484.47	122,745.95
Electricity consumption	kWh	2,169,200.00	2,132,600.00
Energy consumption	kWh	2,280,684.47	2,255,345.95
Energy consumption intensity	kWh/million RMB revenue	21,510.82	20,141.15

Please also refer to the paragraph headed "A1.5. Measures to mitigate emissions" above in this section of the ESG Report for the Group's energy-efficient practices.

A2.2 Water consumption

Details of the water consumption are set out as follows:

	Unit	FY2025	FY2024
Water consumption	m ³	5,412	15,190
Water consumption intensity	m ³ /million RMB revenue	51.04	135.65

A2.3 Energy efficiency target

Although the Group is expanding its business operation and headcounts in the coming years, the Group targets to maintain its energy consumption at the current level in the coming years. Please also refer to the paragraph headed "A1.5. Measures to mitigate emissions" above in this section of the ESG Report for the Group's energy-efficient practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2.4 Sourcing water

The Group has not experienced any difficulties in sourcing water that is fit for purpose.

Notwithstanding the planned expansion of the Group in the coming years, the Group targets to maintain the water consumption in coming years by conducting periodic checks and maintenance on water supply system to avoid any leakage of faucets and gaskets.

A2.5 Packaging material used

Details of the packaging material used are set out as follows:

	Unit	FY2025	FY2024
Paper	tonne	27.5	33.0
Plastic	tonne	13.6	14.0
Metal	tonne	0.3	0.3
Total packaging material used	tonne	41.4	47.3

A3. The Environment and Natural Resources

Save as disclosed in the paragraphs headed “A1. Emissions” and “A2. Use of resources” above, the Directors believe that the production process does not generate a large amount of environmental hazards and does not impose significant adverse impact on the environment and that the environmental protection measures are adequate to comply with all applicable PRC laws and regulations on environmental protection. The Group has implemented various measures to ensure the compliance with the applicable environmental protection laws and regulations and our environmental management system has been certified to be in compliance with ISO 14001 certification.

A4. Climate change

A4.1 Governance

The Board carries the primary obligation for supervising the Group’s ESG initiatives and the management of climate-related hazards. It is the Board’s duty to evaluate how shifting climate patterns might affect the Group’s production consistency and long-term economic viability. The Audit Committee assists in this oversight by performing bi-annual reviews of the internal control frameworks and risk management protocols related to ecological compliance.

Operational leadership is spearheaded by the Chief Executive Officer and senior management, who direct the daily execution of environmental policies. This mandate includes tracking the carbon output of the Group’s manufacturing facilities and ensuring that any critical weather-related incidents or changes in the PRC environmental legislation are reported to the Audit Committee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A4.2 Strategy

The Group has woven climate considerations into the fabric of its strategic planning for the cigarette packaging paper sector. The Group categorises climate-related outlooks into short-term (0–1 year), medium-term (1–5 years), and long-term (exceeding 5 years) periods. The Group's business operations are considered robust under diverse climate projections, including a 2°C or lower pathway, supported by the technical versatility of its production lines and a broadening range of specialised paper products.

The Group may be exposed to possible financial loss and non-financial detriments arising from environmental and climate-related risks which can be mainly categorised into (i) physical risks; and (ii) transitional risks.

(A) Physical risks

Physical risks represent risks arising from acute weather-related events and chronic shifts in climate patterns such as global warming and extreme weather conditions that potentially cause physical impact to us. The Group's business operations could be susceptible to the physical damages resulting from intense precipitation and floods. For instance, Henan Province which is located in proximity to Hubei Province experienced severe flooding caused by a period of prolonged intense precipitation in July 2021, which resulted in loss of life, widespread damage to property and severe disruption to the transportation network. Properties were washed away and the downpour disrupted electricity, water supplies and internet network in some parts of the Henan Province.

The Directors consider that physical damages resulting from intense precipitation and floods could result in material adverse effect on the business operations, financial conditions and prospects. The Group is principally engaged in the production of cigarette packaging paper products and such products are highly susceptible to water damage. The cigarette packaging paper products will become unusable if they are submerged by flood, resulting in material financial loss to the Group. Further, extreme weather conditions could result in damages to the Group's production facility and machinery, resulting in increased maintenance and replacement cost. In addition, intense precipitation and floods could endanger the health and safety of the Group's employees.

In order to strengthen the protection against intense precipitation and floods, the Group may have to implement enhanced flood protection measures such as installation of flood gate system and improvement in the water and drainage system at the Group's production facility, resulting in an increase in operation costs.

(B) Transitional risks

Transitional risks represent risks arising from climate change and climate-related issues resulting in potential changes to the operational practices. Owing to the increasing public awareness on eco-friendliness and the promotion of the use of environmentally friendly cigarette packaging materials by the PRC Government, the cigarette industry is steering towards the use of cigarette packaging paper with eco-friendliness features. The increase in public awareness on eco-friendliness will likely result in a shift in consumer preferences for cigarette packages which are more environmentally friendly. The Group's research and development capability is crucial to the development of cigarette packaging paper products with enhanced eco-friendliness features that match with the evolving requirements and specifications of the customers. Failing to enhance the research and development capabilities to meet the evolving demand of customers may result in a loss of sales and materially and adversely affect the Group's business, results of operations and financial conditions.

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Further, the Group's production activities in the PRC are subject to applicable laws, regulations and standards promulgated by the relevant PRC Government authorities. In the event of any changes in the PRC laws and/or regulations and/or government policies on environmental protection and more stringent requirements are imposed on the Group, the Group may have to incur additional costs and expenses to comply with such requirements. Furthermore, if the Group fails to comply, or is alleged to fail to comply, with the relevant laws and regulations, it may be involved in costly litigation or subject to penalties or other sanctions imposed by the relevant PRC judicial or governmental authorities. The Group's reputation may also be adversely affected, resulting in a loss of business as the customers may be less inclined to purchase from manufacturers with environmental non-compliance. Regulatory development and evolution may potentially have significant impacts on the business operations and present transition risks to the Group.

A4.3 Risk Management

The Group embeds climate-related vulnerabilities within its enterprise-wide risk management architecture. This structured methodology enables the Group to gauge the likelihood and potential severity of environmental shocks to its industrial output. Every six months, management reviews the risk landscape, giving precedence to issues that could affect manufacturing continuity or legal standing. These assessments are shared with the Audit Committee to ensure the Group's mitigation strategies stay current with new environmental data and PRC policy shifts.

A4.4 Metrics and Targets

The Group tracks its Scope 1 and Scope 2 greenhouse gas emissions alongside total energy usage to measure its environmental footprint under HKFRS S2. While the Group views its current climate exposure as manageable through existing mitigation, the Board performs an annual appraisal to determine if specific quantitative goals should be established to align with global benchmarks.

Reflecting updated disclosure requirements, the Group has started a preliminary review of material Scope 3 (Value Chain) emissions, particularly those tied to the procurement of raw paper and chemical solvents. The Group is currently upgrading its data gathering systems to provide more transparent supply chain insights in future cycles. Currently, the Group does not use an internal carbon price or connect executive pay to climate outcomes. The Group remains dedicated to rigorous transparency as it advances toward full HKFRS-aligned reporting.

The Group has continuously enhanced the eco-friendliness of the products through research and development. While this may potentially increase the operation costs, the Group's capability in developing products which fulfil the evolving requirements of the customers can be strengthened.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

The Group is committed to upholding the principles of equal opportunities, diversity and anti-discrimination in its workplace. Recruitment and retention of employees are based on a range of diversity parameters, including but not limited to educational background, industry experience, skills and knowledge. The Group conducts performance appraisal to analyse employees' personal strengths and weaknesses, and suitability for promotion or further training. Discretionary bonus and salary adjustment are given to employees based on their performance appraisal.

B1. Employment

Recruitment

The Group recruits its employees based on their work experience, education background and qualifications. The Group recruits its employees through online recruitment platform, referral from existing employees and recruitment exhibition. The Group assesses available human resources on a continuous basis to determine whether additional personnel are required to cope with the Group's business development. The Group has entered into employment contracts with the employees, which set out, among others, the employee's remuneration, benefits, confidentiality obligations and grounds for termination of the employment. These employment contracts either have no fixed term, or if there is a fixed term, the term is generally up to three years, after which we will evaluate renewals based on performance appraisals.

Remuneration to the employees comprises salaries and allowances and bonuses. The Group generally reviews the performance of the employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustments and promotion. The Group provides various trainings including induction training for new employees, on-the-job training, team-building training and external training for the employees to keep them abreast of the latest technical development relevant to the industry.

The Group adheres to its people-oriented philosophy and considers the employees as the most valuable assets. The Group takes into consideration their expectations and needs in every aspect and strives to safeguard the equal and legal rights of its employees, in particular compensation and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination and other packages and benefits.

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The Group has established a labour union for the employees in 2017 in the PRC. The Group organises from time to time various social activities to create a harmonious working environment for the employees. During FY2025, the Group did not have any significant difficulty in recruiting employee and there had been no incidence of labour disputes, claims, litigation, administrative action or arbitration relating to labour disputes that had materially and adversely affected the Group's operations.

During FY2025, the Group has complied with the applicable laws and regulations that have significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, preventing child and forced labour, and other benefits and welfare in all material respects, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Implementation Regulations on the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》).

The Group has established relevant personnel management policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, to safeguard the welfare of its employees and ensure equal opportunities in all aspects. The Group also encourages and advocates diversity of employees and strives to reduce unfair treatment so that they can actively integrate their personal pursuits into the longterm development of the Group. The Group has complied with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises and other relevant laws and regulations on recruitment conditions, remuneration, working hours and leaves, other entitlements, benefits and post-employment management in all material respects, and are committed to providing equal opportunities in the cultivation of talents.

Social insurance and housing provident funds contributions

Pursuant to applicable PRC laws and regulations, including the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1.1 Total workforce

As at 31 December 2025, the Group had 80 staff (as at 31 December 2024: 83). All of the Group's staff are located in the PRC. The staff composition of the Group as at 31 December 2025 is as follows:

	As at 31 December 2025	As at 31 December 2024
Number of staff by gender		
Male	54	57
Female	26	26

	As at 31 December 2025	As at 31 December 2024
Number of staff by age		
18 to 25 years old	1	3
26 to 40 years old	34	32
41 to 55 years old	27	31
56 years old or above	18	17

	As at 31 December 2025	As at 31 December 2024
Number of staff by employment type		
Permanent	73	76
Full-time contracted	7	7

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1.2 Turnover rate

During FY2025, the turnover rates of the Group's staff are as follow:

Staff turnover rate by gender	FY2025	FY2024
Male	16.7%	47.4%
Female	0%	38.5%

Staff turnover rate by age	FY2025	FY2024
18 to 25 years old	0%	66.7%
26 to 40 years old	17.6%	15.6%
41 to 55 years old	11.1%	74.2%
56 years old or above	0%	41.2%

Staff turnover rate by geographical region	FY2025	FY2024
PRC	11.3%	44.6%

B2. Health and Safety

The Group has complied with the relevant statutory requirements concerning occupational health and safety in all material respects, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). The Group is committed to providing a safe and healthy environment for the employees. The Group has established work safety policies and procedures to ensure that the operations are in compliance with applicable work safety laws and regulations. The Group's occupational health and safety management system has been certified to be in compliance with ISO 45001 certification.

B2.1 Number and rate of work-related fatalities

During each of past three financial years, there were no reported cases of work-related fatalities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2.2 Lost days due to work injury

During FY2025 and FY2024, the Group has recorded zero work injury cases.

B2.3 Occupational health and safety measures adopted

The Group has established a policy in recording and handling accidents. Upon occurrence of an accident, the employees shall report to the relevant department head and the administration department. The relevant department head shall prepare a report detailing the accident, including date and time of the accident, employees involved, cause, confirmation of responsibility, suggestion on rectification, and submit to the administration department. The department shall then carry out an investigation, assess the impact of the accident and recommend appropriate measures to improve safety.

No administrative sanctions or penalties that have a material and adverse effect on the Group's financial condition or business operations have been imposed upon the Group for the violation of PRC occupational health and safety laws and regulations during FY2025, and there were no material work-related injuries or fatalities at the production facility during FY2025.

B3. Development and Training

The Group provides safety education and training to employees and has in place safety guidelines and operating manuals for the manufacturing process. The Group also provides the employees with training programmes on work safety in connection with matters such as the operation of machinery with a view to enhancing occupational safety and minimising the occurrence of work-related accidents and occupational illness. The production department carries out regular safety inspections on the production facility to ensure compliance with the safety measures. Protective devices are installed and warning signs are posted to ensure production machinery is operated safely. The production staff are provided with regular training on the operation of production machinery and occupational safety gear.

The workforce trained during FY2025

	Trained employees as a percentage of total number of employees	Average training hours
Gender		
Male	100%	4
Female	100%	4
Employee Category		
General Management	100%	4
Administration	100%	4
Other staffs	100%	4

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The workforce trained during FY2024

	Trained employees as a percentage of total number of employees	Average training hours
Gender		
Male	100%	4
Female	100%	4
Employee Category		
General Management	100%	4
Administration	100%	4
Other staffs	100%	4

B4. Labour Standards

The Group advocates a community spirit that thrives on mutual respect and equal opportunities. The Group firmly complies with equal opportunities legislation and to ensure diversity and equality, the Group's selection process is non-discriminatory and is solely based on the employees' performance, experience and skills. Employees are also encouraged to discuss their targets in job advancement and career development with their senior management.

B4.1 Measures to avoid child and forced labour

The Group is fully committed to comply with the equal opportunities legislations as well as any relevant law and regulation and does not engage in any forced or child labour. The Group provides detailed guidelines and protocols for tackling the risks in our recruitment process, which is in strict compliance with Regulations on Labour Security Supervision (《勞動保障監察條例》) issued by the State Council of the PRC and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), and makes reference to international labour standards in formulating internal guidance and labour system. All recruitment procedures and promotions are strictly supervised by the Group's human resources management system.

Child labour and force labour are strictly prohibited. In the onboard registration process, applicants are required to submit to the Group certain documentation. The human resources department reviews and verifies the original documents of the applicant to ensure every applicant is qualified and has reached the legal employment age. In case of fraud such as providing false personal information, the Group has the right to terminate the labour contract.

B4.2 Steps to eliminate such practices when discovered

If there is any irregularities on child labour and forced labour, employment with all these candidates will be immediately terminated. The Group would also take responsibility for investigation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5. Supply Chain Management

The Group highly values the long-term cooperation and strategic partnership with its business partners, including its suppliers, which is crucial to mutually sustain the Group's competitive advantage in the industry. The Group endeavors to operate with suppliers who share similar values and uphold high standards of business ethics, environment management and labour management.

B5.1 Number of suppliers

The purchase from the suppliers includes raw materials used in the production process of the Group. The Group maintains an internal list of approved suppliers which is updated on a continual basis. As at 31 December 2025, the Group had more than 62 approved suppliers on the internal list (as at 31 December 2024: more than 55). All of the suppliers on list are based in the PRC. To ensure the product quality, the raw materials procurement policy is to make procurement from those approved suppliers who have passed our quality control assessment and have a satisfactory record of quality and on-time delivery.

B5.2 Procedures for engaging suppliers

The procurement department is responsible for procuring raw materials based on the production needs and inventory level. The Group has maintained a set of internal manual on the procedures and standards for procurement of raw materials. The procurement department generally invites our approved suppliers to submit tender or quotation for supply of materials. In selecting the suppliers, the Group takes into account various factors, including pricing, product quality, production capacity, timeliness of delivery, after-sales service and ability to comply with the requirements and specifications. Depending on the volume of our purchase, once a supplier is selected, the Group typically enters into a framework supply agreement with the supplier. During the contract term of the framework supply agreement, the Group is entitled to place purchase orders with the supplier for procurement of raw materials at the specified pre-agreed unit price. Where the volume of the Group's purchase is relatively insignificant, the Group may directly place purchase orders with the suppliers without entering into a framework supply agreement with them.

To ensure the product quality, the raw materials procurement policy is to make procurement from those approved suppliers who have passed our quality control assessment and have a satisfactory record of quality and on-time delivery. The internal list of approved suppliers is reviewed on a continuous basis based on factors such as pricing, product quality, production capacity, timeliness of delivery, after-sales service and ability to comply with our requirements and specifications.

The Group generally requires the suppliers to provide outgoing quality inspection report and environmental inspection report for each batch of product delivery to ensure the quality of raw materials. The quality control department conducts inspection and testing on raw materials on a sampling basis when they are delivered to our production facility. The suppliers are responsible for replacing any materials which do not meet the relevant standards and bear any associated costs incurred. Furthermore, the Group would conduct site visits at the suppliers' production facilities and conduct periodic evaluation on the suppliers' performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5.3 Practices used to identify environmental and social risks

The Group places a huge emphasis on the environmental and social risks of its suppliers with an aim to reduce the impact of its suppliers on the environment and the society.

The Group's materials are purchased from qualified suppliers whose products meets the requirements of applicable environmental law and regulations.

B5.4 Practices used to promote environmental preferable products and service when selecting supplier

To promote environmental preferable products and service when selecting supplier, suppliers with certain environmental and social responsibility accreditation or no previous record of violation in environmental and social issue will be given preference when same package was offered by the potential suppliers. The Group reviews the selection process regularly to ensure it was properly carried out.

B6. Product Responsibility

The Group believes that the quality and reliability of the products are critical to the Group's success. The Group has established quality assurance standards to meet the customers' requirements.

During FY2025, the Group has been in compliance with relevant laws and regulation regarding to health and safety, advertising, labelling and privacy matters in relation to products and services provided and methods of redress in all material respects.

B6.1 & 6.2 Percentage of products sold subject to recalls for safety and health reasons and number of products and services related complaints

The Group had not received any material claims or complaints from the major customers in relation to the quality of the products and/or any safety and health reasons during FY2025. The Group had not experienced any material sales return during FY2025. The Group had not experienced any cancellation of orders due to product quality issues and/or any safety and health reasons and the Group had not been subject to any material product liability claim during FY2025.

B6.3 Protecting Intellectual Property Right

The Group fully understands the importance of intellectual property rights. The core production technology and critical production processes are crucial to continued success and development. Any infringement of its intellectual rights may seriously affect its business and reputation. Therefore, the Group aspires to protect the Group's patents, brand, trademark and other intellectual property rights and eradicate all infringement of its intellectual property rights. The Group also ensures that its business operation processes are in compliance with the Trademark Law of the PRC (《中華人民共和國商標法》), the Implementation Rules of the PRC Patent Law (《中華人民共和國商標法實施條例》), the Contract Law of the PRC (《中華人民共和國合同法》), the Intellectual Property Law of the PRC (《中華人民共和國知識產權法》), the Anti-unfair Competition Law (《反不正當競爭法》) and other relevant laws, administrative regulations, national standards and industrial standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6.4 Quality assurance process and return policy

As at 31 December 2025, the Group's quality control department was staffed with 8 personnel to implement our quality management system (as at 31 December 2024: 8). The quality control manager has over 15 years of relevant industry experience. Under the quality management system, the Group conducts quality control testing at various stages throughout the production process, including (i) incoming quality check on raw materials; (ii) quality control throughout the production process; and (iii) outgoing quality check on finished products. The Group's quality management system has been certified to be in compliance with ISO 9001 certification. In addition, in recognition of the commitment to work safety and environmental protection, the Group's occupational health and safety management system and environmental management system have been certified to be in compliance with ISO 45001 certification and ISO 14001 certification, respectively.

During FY2025, the Group has complied with relevant laws and regulations concerning product quality in all material respects, including but not limited to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》).

The Group has implemented procedures to ensure that feedbacks from the customers are handled in a timely and appropriate manner. As a general policy, the Group accepts product returns due to defects caused by the Group and bear the costs of having such products returned to the Group after investigation on the cause of the defects. The customers are required to report any quality issue to the Group within a prescribed time, normally three to ten days, upon receipt or use of the products. The Group does not accept any product return unless it is related to quality issue.

B6.5 Consumer data protection and privacy policies

The Group has its privacy policy, pursuant to which all personal and corporate data must be collected in compliance with all relevant privacy laws. The Group requested its staff to protect its customers' privacy and handle all commercially sensitive or confidential information in strict confidence. When cooperating with other companies, the Group enters into corresponding confidentiality agreements, whereby collection, use, storage and deletion of data including third-party patent technology are regulated, while the scope within which such confidential information can be informed of is delimited, in order to prevent any misuse or leaks.

B7. Anti-Corruption

The Group strictly abides by the laws and regulations related to bribery, extortion, fraud and money laundering, including but not limited to the Anti-Unfair Competition Law of the PRC (《反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》). The Group upholds a high standard of integrity and has zero tolerance for corruption. The Group promotes clear work ethics to employees, and strictly prohibits bribery, extortion, fraud, money laundering and other unethical behaviours, including gambling, misappropriation of the Group's assets, provision or acceptance of gifts or other improper benefits, etc..

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7.1 Anti-Corruption

During FY2025, no legal cases regarding corruption were brought against the Group or its employees, and the Group is not aware of any incidents of bribery, extortion, fraud, money laundering or other violations.

B7.2 Preventive measures and whistle-blowing procedure

To facilitate its employees to report illegality, irregularity, malpractice, unethical acts or behaviours, inappropriate conducts or actions, the Group has established a whistle-blowing policy and procedures. Employees are encouraged to report any suspicious activities or behaviours that violate our values and Group's policies regarding ethics, including but not limited to events that are non-compliant with the Group's policy, laws, rules, regulations, general practice of financial reporting and internal control. The Group's whistle-blowing policy allows employees to report suspicious cases in a confidential manner.

The Group handles reported cases cautiously and each submitted case will be handled and investigated promptly, thoroughly and seriously. A full investigation will then be conducted, disciplinary action will be applied to the employees involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case. The whistle-blowing policy and its procedures are applicable to all levels of the members of the Group, and have been clearly stipulated in the employee handbook and have been circulated among employees for their reference.

B7.3 Anti-corruption training

During FY2025, the directors and the employees have participated in anti-corruption training by delivering the latest internal manuals and related information to strengthen and refresh related requirement.

B.8 Community Investment

The Group actively participates in community building and care for the disadvantaged. The Group will continue to promote social development and encourage employees to participate in charitable activities.

B8.1 Community investment

The Group recognises the importance of social responsibilities and regards public welfare as one of the core aspects of its corporate culture. During FY2025, the Group has contributed the local community by (i) operating a cultural and sports center, standard basketball court and infirmary that open to the neighbourhood; (ii) employing three disabled person; (iii) purchasing vegetables from poor farmers in the community; and (iv) organising voluntary works including community cleaning and greening.

B8.2 Resources contributed

The Group actively seeks opportunities to repay society and in hope of creating a better living environment for local community. During FY2025, the Group has invested approximately RMB0.5 million (FY2024: RMB0.6 million) and 95 voluntary hours (FY2024: 120 voluntary hours) in the activities mentioned above.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

To the Shareholders of WElli Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of WElli Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 73 to 128, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory 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 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 the financial statements of public interest entities. We have also 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter

Assessment of the expected credit losses ("ECL") of trade receivables

We identified the assessment of the ECL of trade receivables as a key audit matter due to the significance of trade receivables and the involvement of management judgements, estimates and assumptions in assessment of the ECL of trade receivables are subject to estimation uncertainty.

Trade receivables with significant balances and those which are credit-impaired are assessed for the ECL individually and the Group uses collective assessment to assess ECL for the remaining trade receivables. The loss allowance of the trade receivables assessed individually was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The loss rates are applied in the collective assessments based on historical observed data quoted from an international credit rating agency with respect to specific industries of those customers and aging of trade receivables, and adjusted for forward-looking information that is available without undue costs or effort. During the year ended 31 December 2025, the Group recorded a reversal of impairment losses under ECL of RMB1,326,000. As at 31 December 2025, the carrying amount of trade receivables was RMB65,676,000, net of allowance for credit losses of RMB5,698,000. Details are set out in notes 4, 19 and 30(b) to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to assessment of the ECL of trade receivables included:

- Obtaining an understanding of management's process relating to assessment of the ECL of trade receivables;
- Evaluating (a) the appropriateness of the Group's policy for assessing the ECL of trade receivables and (b) the reasonableness of the key judgments, estimates and assumptions applied in the ECL model, including (i) identification of credit-impaired trade receivables which are assessed for ECL individually, and the loss allowance of each of those trade receivables; and (ii) the historical observed data quoted from an international credit rating agency with respect to specific industries of those customers and aging of trade receivables, and forward-looking information applied in the collective assessment;
- Testing the classification of industry of debtors applied in the collective assessment, on a sample basis; and
- Testing the aging of trade receivables used in the collective assessment, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Impairment assessment of identified long-lived assets for cigarette packaging paper production line ("Packaging paper CGU")

We identified the impairment assessment of long-lived assets relating to Packaging paper CGU, comprising property, plant and equipment ("PPE"), right-of-use assets and intangible assets, as a key audit matter due to the significance of Packaging paper CGU and the involvement of the management judgements, estimates and assumptions in the impairment assessment of these assets are subject to estimation uncertainty.

Since the Packaging paper CGU resulted in a net loss for the year ended 31 December 2025, management considered this is an impairment indicator and conducted impairment tests on long-lived assets of this CGU. For the purpose of assessing impairment of the Packaging paper CGU, the recoverable amounts of these assets have been determined by the management of the Group based on the value in use calculations. The calculation is based on (a) financial budgets with reference to past performance and future operation plan, with the growth rate as key input parameter and (b) the discount rate. Based on the management's assessment, no adjustment to the impairment of identified long-lived assets was recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025. As at 31 December 2025, the aggregate carrying amount of identified long-lived assets for the Packaging paper CGU was RMB15,985,000, net of accumulated impairment losses of RMB3,208,000. Please refer to notes 4 and 14 to the consolidated financial statements for details.

How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment of identified long-lived assets for the Packaging paper CGU included:

- Obtaining an understanding of the management's process relating to the impairment assessment of identified long-lived assets for the Packaging paper CGU;
- Involving our internal valuation specialists to evaluate (a) the appropriateness of the value in use model used in determining the recoverable amount of these assets, and (b) the reasonableness of the discount rate applied in the value in use calculation; and
- Evaluating the reasonableness of the management's estimate of the growth rate in financial budgets, with reference to past performance and future operation plan.

INDEPENDENT AUDITOR'S REPORT

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2025.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as 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 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 Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSA's 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.

As part of an audit in accordance with HKSA's, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance 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 those charged with governance 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.

From the matters communicated with those charged with governance, 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 partner on the audit resulting in this independent auditor's report is KO, Ngai Yeung (practising certificate number: P07758).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 25 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	106,025	111,977
Cost of sales		(94,571)	(108,726)
Gross profit		11,454	3,251
Other income	6	1,618	4,987
Other gains and losses	7	437	297
Impairment losses reversed (recognised) under expected credit loss model ("ECL"), net		1,326	(1,103)
Selling expenses		(5,753)	(5,159)
Administrative expenses		(13,069)	(13,429)
Finance costs	8	(25)	(553)
Loss before tax		(4,012)	(11,709)
Income tax (expense) credit	12	(88)	2,219
Loss and total comprehensive expense for the year	9	(4,100)	(9,490)
Loss per share			
— Basic (RMB cents)	13	(0.5)	(1.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	14	34,542	38,536
Right-of-use assets	15	2,769	2,846
Intangible assets	16	50	72
Deferred tax assets	17	3,616	3,704
Prepayments	21	288	–
		41,265	45,158
Current assets			
Inventories	18	45,586	40,631
Trade receivables	19	65,676	104,249
Bills receivable	20	2,777	10,722
Prepayments and other receivables	21	2,336	3,440
Pledged bank deposits	22b	4,285	4,347
Cash and cash equivalents	22a	89,235	53,200
		209,895	216,589
Current liabilities			
Trade and other payables	23	43,040	47,485
Bank borrowing	24	–	2,000
		43,040	49,485
Net current assets		166,855	167,104
Total asset less current liabilities		208,120	212,262
Non-current liabilities			
Deferred income	25	1,500	1,542
Net assets		206,620	210,720

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Capital and reserves			
Share capital	26	6,842	6,842
Other reserves	27	169,866	169,866
Retained profits		29,912	34,012
Total equity		206,620	210,720

The consolidated financial statements on pages 73 to 128 were approved and authorised for issue by the board of directors on 25 March 2026 and are signed on its behalf by:

Yu Tianbing
Director

Chen Weizhuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital RMB'000	Other reserves RMB'000 (Note 27)	Retained profits RMB'000	Total RMB'000
At 1 January 2024	6,842	169,866	43,502	220,210
Loss and total comprehensive expense for the year	–	–	(9,490)	(9,490)
At 31 December 2024	6,842	169,866	34,012	210,720
Loss and total comprehensive expense for the year	–	–	(4,100)	(4,100)
At 31 December 2025	6,842	169,866	29,912	206,620

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(4,012)	(11,709)
Adjustments for:		
Depreciation of property, plant and equipment	4,381	3,029
Depreciation of right-of-use assets	77	77
Amortisation of the intangible assets	22	22
Amortisation of deferred income	(42)	(42)
Impairment losses (reversed) recognised under ECL model, net	(1,326)	1,103
Write down of inventories	771	390
Impairment loss on property, plant and equipment	–	3,208
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	(337)	(310)
(Gain) loss on disposal of property, plant and equipment	(165)	55
Finance costs	25	553
Interest income	(696)	(891)
Net exchange loss (gain)	65	(44)
Operating cash flows before movements in working capital	(1,237)	(4,559)
(Increase) decrease in inventories	(5,726)	16,705
Decrease in trade receivables	39,908	26,412
Decrease in bills receivable	7,955	7,264
Decrease (increase) in prepayments and other receivables	1,085	(437)
Decrease in pledged bank deposits	62	9,142
Decrease in trade and other payables	(2,306)	(65,506)
Cash generated from (used in) operations	39,741	(10,979)
Income tax paid	–	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	39,741	(10,979)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,004)	(3,665)
Proceeds on disposal of property, plant and equipment	355	29
Purchase of financial assets at FVTPL	(75,000)	(45,000)
Proceeds on disposal of financial assets at FVTPL	75,000	45,000
Dividend income from financial assets at FVTPL	337	310
Interest received	696	891
NET CASH USED IN INVESTING ACTIVITIES	(1,616)	(2,435)
FINANCING ACTIVITIES		
New bank borrowing raised	–	11,800
Repayment of bank borrowing	(2,000)	(39,800)
Interest paid	(25)	(553)
NET CASH USED IN FINANCING ACTIVITIES	(2,025)	(28,553)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,100	(41,967)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	53,200	95,123
Effect of foreign exchange rate changes	(65)	44
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	89,235	53,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. GENERAL INFORMATION

WELI Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 21 April 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Company’s shares (the “Shares”) have been listed (“Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30 June 2022. The address of its registered office is P. O. Box 500, Suite 210, 2nd Floor, Windward III, Regatta Office Park, Grand Cayman KY1–1106, Cayman Islands and its principal place of business is New Industrial Park, Mi’ersi Town, Hong’an County, Hubei Province, People’s Republic of China (the “PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in manufacturing and sales of cigarette packaging paper in the PRC.

The directors consider City Ease Limited (“City Ease”), a company incorporated in the British Virgin Islands (the “BVI”), as the ultimate holding company of the Group and Mr. Chen Weizhuang (“Mr. Chen”) as the ultimate controlling shareholder of the Company.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its principal subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all the other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, the recoverable amount is determined for the CGU, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include: cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Bills receivable classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivable classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these bills receivable had been measured at amortised cost. All other changes in the carrying amount of these bills receivable are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivable. When these bills receivable are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, bills receivable, other receivables, cash and cash equivalents, and pledged bank deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade and bills receivable.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered including but not limited to the future prospects of the industries in which the Group's debtors operate and the expected economic conditions in the PRC (i.e. gross domestic product, consumer price index etc).

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological;
- environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivable are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Industry of debtors; and
- External credit ratings where available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL *(Continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a bills receivable classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, and bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Assessment of the ECL of trade receivables

The Group's trade receivables with significant balances and those which are credit-impaired are assessed for the ECL individually and the Group uses collective assessment to assess ECL for the remaining trade receivables. The loss allowance of the trade receivables assessed individually was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The loss rates of the collective assessment are based on historical observed data quoted from an international credit rating agency with respect to specific industries of those customers and aging of trade receivables, and adjusted for forward-looking information that is available without undue costs or effort. The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in notes 19 and 30b, respectively. During the year ended 31 December 2025, the Group recorded a reversal of impairment losses under ECL of RMB1,326,000. As at 31 December 2025, the carrying amount of trade receivables are approximately RMB65,676,000 (2024: RMB104,249,000), net of allowance for credit losses of approximately RMB5,689,000 (2024: RMB7,033,000).

Impairment assessment of identified long-lived assets for cigarette packaging paper production line ("Packaging paper CGU")

Certain long-lived assets are related to the Group's Packaging paper CGU, comprising property, plant and equipment, right-of-use assets and intangible assets. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. The recoverable amount is determined based on the higher of fair value less costs of disposal and value in use.

As at 31 December 2025, the aggregate carrying amount of identified long-lived assets for Packaging paper CGU was RMB15,985,000 (2024: RMB22,850,000), after taking into account the impairment losses of RMB3,208,000 (2024: RMB3,208,000) in respect of property, plant and equipment that have been recognised. Details of the impairment of assessment of identified Packaging paper CGU, are disclosed in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sales of cigarette packaging paper. All of the businesses of the Group are carried out in the PRC during the reporting period. An analysis of the Group's revenue as well as timing of revenue recognition is as follows:

(i) Disaggregation of revenue from contracts with customers

Revenue by types of products or service:

	2025 RMB'000	2024 RMB'000
Goods transferred at point in time		
— Sales of cigarette packaging paper and raw materials (Note a)	105,632	106,153
Services transferred over time		
— Processing service income (Note b)	393	5,824
	106,025	111,977

Notes:

(a) Sales of goods:

Sales are recognised when control of the products has transferred, being when the products are delivered and accepted and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Receivable is recognised when the goods are delivered and accepted, or quality inspected by customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For sales to certain customers with a right of return, the amount of revenue recognised is after netting off the estimated sales return. Accumulated experience is used to estimate the return rate. A refund liabilities (included in trade and other payables) and a right to the returned goods (including in prepayments and other receivables) are recognised for the products expected to be refunded.

A contract liability is the obligation to transfer products to a customer for which the Group has received consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers products to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

(b) Processing service income

The Group provides processing services to certain customers. Processing service income is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, is the consolidated results of the Group as a whole. No other discrete financial information is provided. Accordingly, the directors of the Company consider there is only one operating segment under the requirements of HKFRS 8 *Operating Segments*. In this regard, only entity-wide disclosures are presented.

No geographic information is presented as the revenue, non-current assets and operations of the Group are primarily derived from its activities located in the PRC.

(iv) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2025 RMB'000	2024 RMB'000
Customer A	40,862	14,100
Customer B	19,924	*
Customer C	14,339	49,915

* This customer contributed less than 10% of total revenue for the corresponding year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Interest income	696	891
Government grants related to income (Note a)	232	3,338
Amortisation of deferred income (Note b)	42	42
Others	648	716
	1,618	4,987

Notes:

- (a) The amounts mainly represented the incentive subsidies provided by the PRC government to encourage business operation in the PRC. There were no unfulfilled conditions attached to these government grants.
- (b) Government grants relating to the purchase of land use right are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related asset.

7. OTHER GAINS AND LOSSES

	2025 RMB'000	2024 RMB'000
Dividend income from financial assets at FVTPL	337	310
Gain (loss) on disposal of property, plant and equipment	165	(55)
Net foreign exchange (loss) gain	(65)	44
Others	-	(2)
	437	297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Finance costs		
— Interest expenses on bank borrowing	25	553

9. LOSS FOR THE YEAR

	2025 RMB'000	2024 RMB'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	4,381	3,029
Depreciation of right-of-use assets	77	77
Amortisation of intangible assets	22	22
Cost of inventories recognised as an expense including write-down of inventories of approximately RMB771,000 (2024: RMB390,000)	94,571	108,726
Auditor's remuneration	995	860
Research and development costs recognised as an expense (included in administrative expenses)	4,695	4,930
Staff cost:		
Directors' remuneration (note10)	1,226	1,233
Other staff cost:		
Salaries and other allowances	7,592	8,542
Retirement benefit scheme contributions	603	678
Total staff costs	9,421	10,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2025					
Executive directors:					
Mr. Chen (Note a)	-	448	-	-	448
Mr. Yu Tianbing ("Mr. Yu") (Note b)	-	231	-	19	250
Non-executive director:					
Mr. Hu Haoran	110	-	-	-	110
Independent non-executive directors:					
Mr. Liu Yimin	110	-	-	-	110
Mr. Chen Yeung Tak	198	-	-	-	198
Ms. Feng Yuan	110	-	-	-	110
Total	528	679	-	19	1,226
Year ended 31 December 2024					
Executive directors:					
Mr. Chen (Note a)	-	450	-	-	450
Mr. Yu (Note b)	-	231	-	19	250
Non-executive director:					
Mr. Hu Haoran	111	-	-	-	111
Independent non-executive directors:					
Mr. Liu Yimin	111	-	-	-	111
Mr. Chen Yeung Tak	200	-	-	-	200
Ms. Feng Yuan	111	-	-	-	111
Total	533	681	-	19	1,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

- (a) Mr. Chen is the executive director of the Company and also serves as the chairman of the board of directors.
- (b) Mr. Yu is the executive director of the Company and also serves as the chief executive officer of the Company.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(b) Five highest paid employees

The five highest paid individuals of the Group during the year included two (2024: two) directors, details of whose emoluments are included in the disclosure above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other allowances	828	728
Retirement benefit scheme contributions	35	35
	863	763

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2025 Number of employees	2024 Number of employees
Nil to Hong Kong Dollars ("HKD") 1,000,000	3	3

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the directors or chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2025, nor has any dividend been proposed since the end of the reporting period (2024: nil).

12. INCOME TAX EXPENSE (CREDIT)

	2025 RMB'000	2024 RMB'000
Income tax expense (credit) comprised of:		
Current tax		
— PRC Enterprise Income Tax ("EIT")	—	(351)
Deferred tax (note 17)	88	(1,868)
	88	(2,219)

(a) Cayman Islands and BVI profits tax

The Company is incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Group's subsidiary incorporated in the BVI is also an exempted company and is not liable for taxation in the BVI.

(b) Hong Kong profits tax

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the years ended 31 December 2025 and 2024.

(c) The PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The applicable withholding tax rates of the group company in Hong Kong is 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. INCOME TAX EXPENSE (CREDIT) (Continued)

(d) The PRC EIT

Subsidiary incorporated in the PRC has obtained the approvals to become a new and high-technology enterprise and are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the years ended 31 December 2025 and 2024.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has considered the Super Deduction to be claimed for the Group entities in ascertaining their assessable profits during reporting periods.

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 RMB'000	2024 RMB'000
Loss before tax	(4,012)	(11,709)
Tax at PRC EIT rate of 25% (2024: 25%)	(1,003)	(2,927)
Tax effect of expenses not deductible for tax purpose	278	154
Effect of different tax rate of group entities	1,169	954
Tax effect of tax losses not recognised	660	340
Utilisation of tax losses previously not recognised	(370)	–
Super deduction for research and development expenses (Note)	(646)	(740)
Income tax expense (credit) for the year	88	(2,219)

Note: The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 100% tax deduction in the calculation of income tax expense for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

13. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
Loss for the year attributable to owners of the Company	(4,100)	(9,490)
	No. of Shares '000	No. of Shares '000
Number of shares		
Weighted average number of ordinary shares in issue	800,000	800,000

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronic and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2024	20,837	19,286	753	1,317	–	42,193
Additions	–	–	–	–	22,916	22,916
Transfer	375	726	–	3	(1,104)	–
Disposals	–	(1,675)	–	–	–	(1,675)
At 31 December 2024	21,212	18,337	753	1,320	21,812	63,434
Additions	–	–	–	22	555	577
Transfer	555	21,812	–	–	(22,367)	–
Disposals	–	(662)	–	(104)	–	(766)
At 31 December 2025	21,767	39,487	753	1,238	–	63,245
DEPRECIATION AND IMPAIRMENT						
At 1 January 2024	8,020	10,626	536	1,070	–	20,252
Provided for the year	1,266	1,630	47	86	–	3,029
Eliminated on disposals	–	(1,591)	–	–	–	(1,591)
Impairment loss recognised in profit or loss	–	3,208	–	–	–	3,208
At 31 December 2024	9,286	13,873	583	1,156	–	24,898
Provided for the year	1,279	3,026	13	63	–	4,381
Eliminated on disposals	–	(472)	–	(104)	–	(576)
At 31 December 2025	10,565	16,427	596	1,115	–	28,703
CARRYING VALUES						
At 31 December 2025	11,202	23,060	157	123	–	34,542
At 31 December 2024	11,926	4,464	170	164	21,812	38,536

The property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual values, as follows:

Buildings	5–20 years
Machinery	5–10 years
Motor vehicles	6 years
Electronic and other equipment	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

- (a) As at 31 December 2025, buildings with net book value of approximately RMB9,507,000 (2024: RMB9,912,000) were pledged to secure bills payable of the Group.
- (b) Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

- (c) As of 31 December 2025 the management identified the Packaging paper CGU and the printing machinery production line ("Printing CGU") as two separate CGUs, as both of them are capable of generating independent cash inflows in active markets.

The Printing CGU was newly acquired and in construction as of 31 December 2024 and fully transferred to buildings and machinery during the year ended 31 December 2025. The management planned to put this CGU into production within 2026 after obtaining relevant licenses from government authority, and there was no impairment indicator.

During the year ended 31 December 2025, due to insufficient product orders, the revenue of Packaging paper CGU declined year-on-year, resulting in a net loss for the year. As the business performance of Packaging paper CGU in 2025 was worse than management's expectation, these circumstances contribute to the impairment indicator and the management conducted impairment tests on long-lived assets of this CGU accordingly.

- (d) As of 31 December 2025, the carrying amount of the Packaging paper CGU was RMB15,985,000 (including property, plant and equipment of RMB13,240,000, intangible assets of RMB49,000, and right-of-use assets of RMB2,696,000) (2024: RMB19,642,000 (including property, plant and equipment of RMB16,724,000, intangible assets of RMB72,000, and right-of-use assets of RMB2,846,000)), and the recoverable amount of this CGU was RMB16,568,000 (2024: RMB19,642,000), which was determined based on value in use (the higher of fair value less costs of disposal and value in use). Consequently, no adjustment to the impairment of identified long-lived assets (2024: RMB3,208,000) was recognised for this CGU during the year ended 31 December 2025.

The recoverable amount of Packaging paper CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate of 12% as at 31 December 2025 (2024: 12%). The average annual growth rate used is 9% (2024: 14%), which is based on financial budgets with reference to past performance and future operation plan. The cash flows beyond the 5 year period are extrapolated using 2% growth rate (2024: 3%).

The management performed sensitivity analysis on the impact of reasonable possible changes in each of the above significant assumptions, with all other variables held constant, of property, plant and equipment impairment testing at the dates indicated. Therefore, the maximum additional impairment amount shall be RMB226,000 (2024: RMB329,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. RIGHT-OF-USE ASSETS

	Land use right	
	RMB'000	
<hr/>		
At 31 December 2025		
Carrying amount		2,769
<hr/>		
At 31 December 2024		
Carrying amount		2,846
<hr/>		
For the year ended 31 December 2025		
Depreciation charge		77
<hr/>		
For the year ended 31 December 2024		
Depreciation charge		77
<hr/>		
	2025	2024
	RMB'000	RMB'000
<hr/>		
Expenses relating to short-term leases	55	24
Total cash outflows for leases	55	24
<hr/>		

Notes:

- (a) As at 31 December 2025, leasehold land use right with net book value of approximately RMB2,769,000 (31 December 2024: RMB2,846,000), were pledged to secure bills payable of the Group.
- (b) The Group leases various offices, warehouse and land. Rental contracts for offices and the warehouse are typically made for fixed period of less than one year. Rental contract for land is made for fixed periods of 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. INTANGIBLE ASSETS

	Software RMB'000	Patents RMB'000	Total RMB'000
COST			
At 1 January 2024, 31 December 2024 and 2025	216	423	639
AMORTISATION			
At 1 January 2024	187	358	545
Charged for the year	8	14	22
At 31 December 2024	195	372	567
Charged for the year	8	14	22
At 31 December 2025	203	386	589
CARRYING VALUES			
At 31 December 2025	13	37	50
At 31 December 2024	21	51	72

The Group's intangible assets having finite useful lives are amortised on a straight-line basis over the following periods:

Software	5 years
Patents	10 years

17. DEFERRED TAXATION

	2025 RMB'000	2024 RMB'000
Deferred tax assets	3,616	3,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. DEFERRED TAXATION (Continued)

Deferred tax assets recognised by the Group and the movements thereon during the current and prior year are as follows:

	Tax losses RMB'000	ECL provision RMB'000	Deferred income RMB'000	Other RMB'000	Total RMB'000
At 1 January 2024	577	1,019	237	3	1,836
Credited (charged) to profit or loss (note 12)	1,170	705	(6)	(1)	1,868
At 31 December 2024	1,747	1,724	231	2	3,704
(Charged) credited to profit or loss (note 12)	–	(84)	(6)	2	(88)
At 31 December 2025	1,747	1,640	225	4	3,616

At the end of the reporting period, the Group has unused tax losses of approximately RMB26,652,000 (2024: RMB19,128,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB11,647,000 (2024: RMB11,647,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB15,005,000 (2024: RMB7,481,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB4,397,000 (2024: nil) with expiry dates within 10 years, other losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiary in the PRC of approximately RMB40,842,000 (2024: RMB41,815,000) for which deferred tax liabilities have not been recognised was approximately RMB4,084,000 (2024: RMB4,182,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	33,322	31,755
Work in progress	–	71
Finished goods	12,156	8,709
Packaging materials and others	108	96
	45,586	40,631

19. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	71,374	111,282
Less: allowance for credit losses (note 30b)	(5,698)	(7,033)
	65,676	104,249

As at 1 January 2024, trade receivables from contracts with customers amounted to approximately RMB131,766,000.

The Group allows a credit period of 60 to 180 days to its customers. The aging analysis of the Group's trade receivables based on delivery date at the end of the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
0–90 days	42,258	44,500
91–180 days	8,087	30,409
181–365 days	6,121	15,530
Over 1 year	14,908	20,843
	71,374	111,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

19. TRADE RECEIVABLES *(Continued)*

As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB32,004,000 (2024: RMB63,733,000) which is past due as at the reporting date. Out of the past due balances, RMB20,514,000 (2024: RMB41,116,000) has been past due for 90 days or more and are not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.

Details of credit assessment of trade receivables are set out in note 30b.

20. BILLS RECEIVABLE

	2025 RMB'000	2024 RMB'000
Bills receivable	2,781	10,736
Less: allowance for credit losses (note 30b)	(4)	(14)
	2,777	10,722

All bills received by the Group are with a maturity period of less than one year.

During the year ended 31 December 2025 and 2024, bills receivable were all bank acceptance and a total amount of approximately RMB17,909,000 (2024: RMB62,132,000) that have been endorsed to the suppliers and a total amount of approximately nil (2024: RMB6,000,000) that have been discounted to the bank had been derecognised as the directors considered substantially all risks and rewards of ownership of those bills receivable have been transferred before maturity. As the bills receivable are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, they are classified as financial assets measured at FVTOCI.

As at 31 December 2025, the Group had derecognised banker's acceptances endorsed or discounted but not yet matured, with an aggregate face value of RMB15,128,000 (2024: RMB25,666,000).

As at 31 December 2025, bills receivable with carrying amounts of nil (2024: RMB3,000,000) were pledged to secure bills payable of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. PREPAYMENTS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Included in non-current assets		
Prepayment for equipment	288	–
Included in current assets		
Prepayments	277	821
Deposits	1,909	2,356
Recoverable of value added tax	–	11
Others	222	305
Less: allowance for credit losses (note 30b)	(72)	(53)
	2,336	3,440

22. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

22a. Cash and cash equivalents

	2025 RMB'000	2024 RMB'000
Cash at banks	89,235	53,200

Cash and cash equivalents of the Group were denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	86,008	51,036
HKD	3,227	1,565
United States Dollar ("USD")	–	599
	89,235	53,200

The effective interest rates of cash and cash equivalents ranged from 0.05% to 2.00% (2024: 0.001% to 1.75%) per annum during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

22. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS *(Continued)*

22b. Pledged bank deposits

As at 31 December 2025 and 2024, the Group had bank deposits pledged for credit facilities as follows:

	2025 RMB'000	2024 RMB'000
Pledged bank deposits	4,285	4,347

The Group's pledged bank deposits was with maturity within one year, denominated in RMB and represented bank deposits pledged to banks for the issuance of bank acceptance bills payable in respect of future settlement to suppliers of the Group.

The effective interest rates of pledged bank deposits ranged from 0.05% to 1.20% (2024: 0.10% to 1.75%) per annum during the year ended 31 December 2025.

23. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	31,248	32,067
Bills payable (Note)	8,570	9,694
Payroll payable	1,340	1,460
Other accrued expenses	974	3,864
Other tax payable excluding income tax liabilities	709	185
Others	199	215
	43,040	47,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. TRADE AND OTHER PAYABLES (Continued)

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

As at 31 December 2025, the bills payable was secured by bank deposits note 22(b), buildings (note 14) and land use right (note 15) (2024: secured by bank deposits, bills receivable, buildings and land use right).

The credit period on trade purchases is 90 days. Aging analysis of the Group's trade payables based on invoice date at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
0–60 days	23,319	14,843
61–90 days	2,263	6,734
91–180 days	4,927	7,009
181–365 days	657	2,602
Over 1 year	82	879
	31,248	32,067

24. BANK BORROWING

The carrying amounts of the Group's bank borrowing are analysed based on contractual repayment date as follows:

	2025 RMB'000	2024 RMB'000
Unsecured bank loan repayable within one year		
— fixed rate	—	2,000

The weighted average effective interest rate (which are also equal to contracted interest rates) on the Group's bank loan is as follows:

	2025	2024
Weighted average effective interest rate	N/A	3.75%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

25. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Government grants related to acquisition of land use right	1,500	1,542

Government grants related to acquisition of land use right are recorded as deferred income and amortised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the land use right.

The movements of the above government grants during the year are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	1,542	1,584
Amortised as income (note 6)	(42)	(42)
At 31 December	1,500	1,542

26. SHARE CAPITAL

	Number of shares '000	Share capital HKD'000	Presented as RMB'000
<i>Ordinary shares of HK\$0.01 each</i>			
Authorised			
At 1 January 2024, 31 December 2024 and 2025	10,000,000	100,000	
Issued and fully paid			
At 1 January 2024, 31 December 2024 and 2025	800,000	8,000	6,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

27. OTHER RESERVES

	Share premium	Statutory reserve	Capital reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)	(Note b)	(Note c)	
At 1 January 2024, 31 December 2024 and 2025	89,979	19,886	60,001	169,866

Notes:

(a) Share premium:

In connection with the Listing of the Company, 200,000,000 ordinary shares were issued at HKD0.63 each for a total consideration of HKD126,000,000 (equivalent to approximately RMB107,754,000) in aggregate on 30 June 2022, which was divided into HKD2,000,000 (equivalent to approximately RMB1,710,000) of share capital and HKD124,000,000 (equivalent to approximately RMB106,044,000) of share premium, respectively.

Listing expenses to be capitalised at approximately RMB10,933,000 that were directly attributable to the issuance of ordinary shares in connection with the Listing were treated as a deduction from share premium.

On 30 June 2022, an aggregate of 599,999,000 shares issued and allotted to the shareholders whose names appear on the register of members of the Company as of 2 June 2022 on a pro rata basis by way of capitalisation of the sum of HKD5,999,999 (equivalent to approximately RMB5,132,000) standing to the credit of the share premium account of the Company.

(b) Statutory reserve:

In accordance with relevant rules and regulations in the PRC and the Articles of Association of Hubei Qiangda Packaging Industry Co., Ltd.* (湖北強大包裝實業有限公司) ("Hubei Qiangda"), Hubei Qiangda is required to transfer at least 10% of its profit after taxation calculated under the PRC accounting standards and regulations to a statutory reserve until the accumulated total of the fund reaches 50% of its registered capital. The statutory reserve can only be used, upon approval by the relevant authority, to offset previous accumulated losses or to increase the capital of Hubei Qiangda. Due to Hubei Qiangda's net loss during the years ended 31 December 2025 and 2024, no statutory reserve was appropriated for both years.

* the English translation of the entity's name is for reference only. The official name of entity is in Chinese.

(c) Capital reserve:

The balance of capital reserve represents the aggregate of the paid-up share capital of the subsidiaries now comprising the Group before the reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to its shareholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of debts, which includes the borrowing, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts.

29. RELATED PARTY TRANSACTIONS

29a. Related party balances and transactions

The Group has no material transactions and balances with related parties.

29b. Compensation of key management personnel

The remuneration of directors and other members of key management during the year is set out in note 10.

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at amortised cost	161,080	164,204
Financial assets at FVTOCI	2,777	10,722
	163,857	174,926
Financial liabilities		
Financial liabilities at amortised cost	40,792	47,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, cash and cash equivalents, pledged bank deposits, bills receivable measured at FVTOCI, trade and other payables, and bank borrowing. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group mainly operates in the PRC with majority of the transactions conducted in the functional currency of the respective group entity. The directors consider the foreign currency risk arising from recognised assets and liabilities to be minimal. Accordingly, no sensitivity analysis is presented for foreign exchange risk. The Group did not hedge against any fluctuation in foreign currency. The Group timely monitors foreign exchange risk and will take measure to minimise foreign exchange risk.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowing.

The Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arises.

The management of the Group considers the exposure of the pledged bank deposits and bank balances to interest rate risk is insignificant as these balances are within short maturity period and the fluctuation of market interest rate is not expected to be significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

At 31 December 2025 and 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. Credit risk mainly arises from cash and cash equivalents, pledged bank deposits, trade receivables, bills receivable and other receivables.

Trade receivables and bills receivable

In respect of trade receivables and bills receivable, periodical credit evaluations are performed taking into account the counterparty's financial position, past experience, future economic environment and other factors.

The Group applies the HKFRS 9 simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables and bills receivable.

For trade receivables, the Group performs impairment assessment under ECL model on trade receivables with significant balances and those that are credit-impaired individually, while the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. The loss allowance of the trade receivables assessed individually was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The loss rates of the collective assessment are based on historical observed data quoted from an international credit rating agency with respect to specific industries of those customers, aging of trade receivables and these rates were adjusted to reflect forward-looking information that is available without undue costs or effort.

For bills receivable, the ECLs were mainly assessed by taking into account the credit rating for issuing financial institutions.

The Group has concentration of credit risk as 29% (2024: 32%) and 71% (2024: 61%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Other receivables

For other receivables, the Group made periodic collective assessment on the recoverability based on past experience and forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Details of the quantitative disclosures are set out below in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Cash and cash equivalents, and pledged bank deposits

Majority of the Group's cash and cash equivalents, and pledged bank deposits are placed in those banks incorporated in the PRC which are reputable local listed commercial banks or state-owned banks. While cash and cash equivalents and pledged bank deposits were also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial due to very low probability of default given the high credit ratings of these institutions.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and bills receivable	Other financial assets
Low risk	The counterparty has a low risk of default or does not have any default occurred historically	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Cash and cash equivalents, and pledged bank deposits (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2025 Gross carrying amount RMB'000	2024 Gross carrying amount RMB'000
Cash and cash equivalents, and pledged bank deposits	22	Baa3 – Aa3	N/A	12m ECL	93,520	57,547
Trade receivables	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	67,441	111,282
			Loss	Lifetime ECL (credit-impaired)	3,933	–
					71,374	111,282
Other receivables	21	N/A	Low risk	12m ECL	1,956	2,461
Bills receivable measured at FVTOCI	20	Ba3 – Baa1	N/A	Lifetime ECL (not credit-impaired)	2,781	10,736

Note: For trade and bills receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Collective assessment — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective assessment within lifetime ECL (not credit impaired). One debtor with significant balances and credit-impaired with gross carrying amounts of RMB3,933,000 as at 31 December 2025 (2024: nil) was assessed individually.

Gross carrying amount

Internal credit rating	Trade receivables As at 31 December			
	2025 Average loss rate	RMB'000	2024 Average loss rate	RMB'000
Low risk	2.62%	67,441	6.32%	111,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Collective assessment — internal credit rating (Continued)

Gross carrying amount (Continued)

The following table shows the movement in ECL that has been recognised for trade receivables, bills receivable and other receivables.

	Trade receivables Lifetime ECL (not credit- impaired) RMB'000	Trade receivables Lifetime ECL (credit- impaired) RMB'000	Bills receivable Lifetime ECL (not credit- impaired) RMB'000	Other receivables 12m ECL RMB'000	Total RMB'000
As at 1 January 2024	5,928	–	11	58	5,997
Impairment losses recognised	1,105	–	3	–	1,108
Impairment losses reversed	–	–	–	(5)	(5)
As at 31 December 2024	7,033	–	14	53	7,100
Transfer	(294)	294	–	–	–
Impairment loss recognised	324	3,639	–	19	3,982
Impairment loss reversed	(5,298)	–	(10)	–	(5,308)
As at 31 December 2025	1,765	3,933	4	72	5,774

The Group writes off trade receivables, bills receivable and other receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowing and renews bank borrowing, if necessary.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows including both interest and principal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or Within 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2025				
Trade and other payables	N/A	40,792	40,792	40,792
	Weighted average interest rate %	On demand or Within 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2024				
Trade and other payables	N/A	45,625	45,625	45,625
Bank borrowing	3.75	2,065	2,065	2,000
		47,690	47,690	47,625

30c. Fair value measurement of financial instruments

The fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS (Continued)

30c. Fair value measurement of financial instruments (Continued)

The financial instruments in Level 2

The following table presented the financial instruments in Level 2 as at 31 December 2025 and 2024:

	2025 RMB'000	2024 RMB'000
Financial assets		
Bills receivable measured at FVTOCI	2,777	10,722

The fair value of financial instruments in Level 2 was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group for similar financial instruments.

The financial instruments in Level 3

The following table presented the changes in Level 3 instruments as at 31 December 2025 and 2024:

	Financial assets at FVTPL RMB'000
At 1 January 2024	–
Additions	45,000
Disposals	(45,310)
Dividend income from financial assets at FVTPL	310
At 31 December 2024	–
Additions	75,000
Disposals	(75,337)
Dividend income from financial assets at FVTPL	337
At 31 December 2025	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. FINANCIAL INSTRUMENTS *(Continued)*

30c. Fair value measurement of financial instruments *(Continued)*

The financial instruments in Level 3 (Continued)

During the year ended 31 December 2025 and 2024, the Group's financial assets at FVTPL represented certain non-capital protected wealth management products denominated in RMB and issued by reputable banks in the PRC which primarily invested in listed or unlisted securities and bonds. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on the Group's investment.

The following table summarises the quantitative information about the significant unobservable inputs used in fair value measurements of Level 3 instruments:

Description	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investment in wealth management products	Expected rate of return	1.67%–2.51% (2024: 1.80%–2.53%)	The higher the expected rate of return, the higher the fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period. The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. RETIREMENT BENEFIT PLANS

Employees of the subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

During the year ended 31 December 2025, a total cost of RMB622,000 (2024: RMB697,000) was charged to profit or loss representing contribution paid or payable to the above retirement benefit plans by the Group.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

During the years ended 31 December 2025 and 2024, the Group had no forfeited contributions under the retirement benefits scheme utilised to reduce future contributions.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing RMB'000
At 1 January 2024	30,000
Financing cash flows (note)	(28,553)
Interest expenses	553
At 31 December 2024	2,000
Financing cash flows (note)	(2,025)
Interest expenses	25
At 31 December 2025	—

Note: The cash flows make up the net amount of bank borrowing in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current asset		
Investment in a subsidiary	84,728	84,728
Amounts due from subsidiaries	69,018	–
	153,746	84,728
Current assets		
Amounts due from subsidiaries	–	76,226
Cash and cash equivalents	3,110	1,895
	3,110	162,849
Current liabilities		
Trade and other payables	795	1,420
Net assets	156,061	161,429
Capital and reserves		
Share capital	6,842	6,842
Other reserves	174,707	174,707
Accumulated losses	(25,488)	(20,120)
Total equity	156,061	161,429

Movement on the Company's reserves

	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	89,979	84,728	(19,018)	155,689
Loss and total comprehensive expense for the year	–	–	(1,102)	(1,102)
At 31 December 2024	89,979	84,728	(20,120)	154,587
Loss and total comprehensive expense for the year	–	–	(5,368)	(5,368)
At 31 December 2025	89,979	84,728	(25,488)	149,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Date of incorporation	Place of incorporation and legal entity	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at		Principal activities
				31 December 2025	31 December 2024	
Directly held:						
Shengxi Global Limited	29 March 2021	BVI limited liability company	USD1	100%	100%	Investment holding
Indirectly held:						
Hong Kong WElli Holdings Limited	30 April 2021	Hong Kong limited liability company	HKD1	100%	100%	Investment holding
Hubei Qiangda	8 June 2011	The PRC limited liability company	RMB60,000,000	100%	100%	Packages production and retail

None of the subsidiaries had issued any debt securities at the end of the year.

35. SUBSEQUENT EVENTS

There have been no material subsequent events identified subsequent to 31 December 2025.

FINANCIAL SUMMARY

	FY2021 RMB'000	FY2022 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2025 RMB'000
Revenue	370,311	288,962	190,944	111,977	106,025
Cost of sales	(288,522)	(228,522)	(173,347)	(108,726)	(94,571)
Gross profit	81,789	60,440	17,597	3,251	11,454
Selling expenses	(10,123)	(9,107)	(8,215)	(5,159)	(5,753)
Administrative expenses	(32,389)	(29,966)	(17,682)	(13,429)	(13,069)
Impairment losses reversed (recognised) under expected credit loss model ("ECL"), net	474	934	(1,996)	(1,103)	1,326
Other income	1,972	5,317	5,168	4,096	922
Other gains — net	100	434	194	297	437
Operating profit/(loss)	41,823	28,052	(4,934)	(12,047)	(4,683)
Finance income	1,070	1,161	1,614	891	696
Finance costs	(825)	(223)	(574)	(553)	(25)
Finance income (costs) — net	245	938	1,040	338	671
Profit/(loss) before income tax	42,068	28,990	(3,894)	(11,709)	(4,012)
Income tax (expense) credit	(6,381)	(4,038)	1,334	2,219	(88)
Profit/(loss) for the year	35,687	24,952	(2,560)	(9,490)	(4,100)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income/(loss) for the year	35,687	24,952	(2,560)	(9,490)	(4,100)

FINANCIAL SUMMARY

	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000
Non-current assets	28,607	25,761	46,045	45,158	41,265
Current assets	265,119	297,011	319,091	216,589	209,895
Inventories	50,099	55,718	57,726	40,631	45,586
Trade receivables	145,076	107,403	131,766	104,249	65,676
Bills receivable	–	8,485	17,989	10,722	2,777
Prepayments and other receivables	5,106	3,613	2,998	3,440	2,336
Pledged bank deposits	6,260	11,512	13,489	4,347	4,285
Cash and cash equivalents	58,578	110,280	95,123	53,200	89,235
Non-current liabilities	1,668	1,626	1,584	1,542	1,500
Current liabilities	191,061	98,376	143,342	49,485	43,040
Trade and other payables	128,258	95,762	112,991	47,485	43,040
Bank borrowings	10,017	–	30,000	2,000	–
Dividends payable	37,872	–	–	–	–
Lease liabilities	43	–	–	–	–
Amount due to related parties	13,051	–	–	–	–
Current income tax liabilities	1,820	2,614	351	–	–
Net current assets	74,058	198,635	175,749	167,104	166,855
Net assets	100,997	222,770	220,210	210,720	206,620