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# Yik Wo International Holdings Limited
# 易和國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8659)**

## SUPPLEMENTAL ANNOUNCEMENT
## DISCLOSABLE TRANSACTION
## DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of the Company dated 31 December 2025 (the "**Previous Announcement**"). Unless otherwise defined, capitalized terms used in this supplemental announcement shall have the same meanings as those defined in the Previous Announcement.

The Company is pleased to provide the following additional information on the Disposal.

### FURTHER DETAILS ABOUT THE VALUATION

According to the Previous Announcement, the Consideration was RMB15 million and was determined by the parties to the Agreement after arm's length negotiations with reference to the Valuation as at 30 November 2025 as appraised by the Valuer. Further details of the Valuation are as follows:

#### Key Inputs and Assumptions in the Valuation

The key inputs and assumptions were determined based on market research, historical data, management inputs, and independent assessments by the Valuer. Details are as follows:

#### Documents/information considered by the Valuer

During the valuation process, the Valuer reviewed a range of documents and information, including:

- Background information of the operation and relevant corporate information of the Target Company and the Film project;

- Historical financial statements of the Target Company;

- Market research data from the China Film Administration's public disclosures on film release license registration;

- Historical financial statements and data from the identified comparable companies;

- The economic outlook in general and the specific economic environment and market elements affecting the relevant business, industry and market; and

- Chinabonds, Moody's, S&P and other reliable sources of market data.

**Expected Film Release Date:**

As of the date hereof, no concrete release timetable for the Film has been established. Therefore, the Valuer's estimate is based on market research data from the China Film Administration's public disclosures on film release license registrations, focusing on comparable films that experienced significant delays.

The selection criteria for comparable films included:

- Domestic feature films with release licenses issued in 2025; and

- Films whose approval process exceeded 7 years from the date of registration to the issuance of a film release license by the China Film Administration. This benchmark is applicable as the Film has been in the approval process for approximately 7 years, from its registration post-production in February 2018 to the Valuation Date of 30 November 2025.

The identified comparable films and their pending durations (from production year to release year) are:

| Film Title | Release license Year | Registration Year | Pending Duration (Years) |
|---|---|---|---|
| Sons of the Neon Night (《风林火山》) | 2025 | 2016 | 9 |
| Cloud Intelligence* (《云•情报》) | 2025 | 2015 | 10 |
| The Investigating Censor (《八府巡按》) | 2025 | 2016 | 9 |
| An Unexpected Gift* (《意外的礼物》) | 2025 | 2017 | 8 |
| The Dark Mysteries (《黑暗迷踪》) | 2025 | 2016 | 9 |
| What a Beautiful Jasmine Flower* (《好一朵茉莉花》) | 2025 | 2015 | 10 |

Median pending duration: 9.17 years.

* *For identification purposes only*

| Milestone | Duration | Resulting Date/Note |
|---|---|---|
| **Post-Production** | 6 months | Completed in 30 August 2018. |
| **Licensing & Approval** | 9.17 years | Film Release License obtained by 30 October 2028. |
| **Release Scheduling** | 3 months | General period for marketing and distribution. |
| **Expected Public Release** | | **28 January 2028** |

This results in a time to maturity of approximately 2.17 years from the Valuation Date.

**Selection of Comparable Companies and Discount Rate Determination**

The discount rates of 28.56% (profit guarantee) and 28.42% (penalty interest) were derived as follows:

**Selection Criteria for Comparable Companies:**

The discount rate benchmark was derived from comparable listed companies that reflect the operational and market risk profile of the entity providing the profit guarantee, Yeewo Pictures. The selection was based on:

- Listed companies deriving more than 80% of their revenue from video entertainment and programming providers (film and television production/distribution);
- Listed companies generating more than 80% of their revenue from China, ensuring geographic and market risk alignment; and
- Listed companies with published financials.

**Identified Comparable Companies:**

Based on the above criteria, the following companies were identified:

| Stock Code | Company Name | Credit Rating [(1)] |
|---|---|---|
| 1060.HK | Damai Entertainment Holdings Limited (formerly known as Alibaba Pictures Group Limited) | A3 |
| 300133.CN | Zhejiang Huace Film & TV Co., Ltd. | Ba2 |
| 001330.CN | Bona Film Group Co., Ltd. | Caa |
| 300528.CN | Omnijoi Media Corp. | Caa |
| 2125.HK | Strawbear Entertainment Group | Ca-C |
| 300027.CN | Huayi Brothers Media Corp. | Caa |
| 000802.CN | Beijing Jingxi Culture & Tourism Co., Ltd. | B3 |
| 002343.CN | Ciwen Media Co., Ltd. | B2 |
| 300291.CN | Beijing Baination Pictures Co., Ltd. | Ca-C |
| 300426.CN | Zhejiang Talent Television & Film Co., Ltd. | Ca-C |
| 603721.CN | TVZone Media Co., Ltd. | B2 |
| 9958.HK | Litian Pictures Holdings Ltd. | Ca-C |
| 8172.HK | Lajin Entertainment Network Group Ltd. | Ca-C |
| 1616.HK | A Metaverse Co. | Ca-C |
| 300182.CN | Beijing Jetsen Technology Co., Ltd. Class A | A2 |
| 300251.CN | Beijing Enlight Media Co., Ltd. Class A | A1 |

| Stock Code | Company Name | Credit Rating [1] |
|---|---|---|
| 9857.HK | Linmon Media Limited | Ca-C |
| 8368.HK | Creative China Holdings Ltd. | A3 |
| 1003.HK | Huanxi Media Group Ltd. | Ca-C |
| **Average** | | **B** |

*Note:*

1. The credit rating assessment was conducted using the company's latest financial statements as of the Valuation Date and benchmark data from Moody's research, "Credit Rating Analysis: Financial Metrics™ Key Ratios by Rating and Industry for Global Non-Financial Corporates".

**Derivation of the Discount Rate:**

| **Profit Guarantee** | |
|---|---|
| Time to maturity: | 2.58 |
| Yield [1]: | 24.93% |
| Illiquidity spread [2]: | 3.63% |
| Adopted discount rate: | 28.56% |

| **Penalty Interest** | |
|---|---|
| Time to maturity: | 2.16 |
| Yield [1]: | 24.79% |
| Illiquidity spread [2]: | 3.63% |
| Adopted discount rate: | 28.41% |

*Notes:*

1. The bond yield is derived from the yield for BB-rated corporate bonds as published by ChinaBond. This benchmark was selected because the identified comparable companies, which are primarily engaged in film production in China, have an average international credit rating of "B". In alignment with the mapping methodology outlined in S&P Global Ratings' "National And Regional Scale Mapping Tables", a domestic Chinese BB rating is considered a reasonable equivalent to an international "B" rating, accounting for the typical uplift in scale used by domestic agencies.

2. Illiquidity Risk Premium: An additional premium is applied to reflect the higher liquidity risk inherent in this non-public, non-tradable investment relative to publicly traded securities. This adjustment is supported by empirical finance literature, including the study "Corporate Yield Spreads and Bond Liquidity" (Chen, Lesmond, & Wei).

The comparable companies selected for determining the discount rate are suitable because they align closely with Yeewo Pictures's business profile and risk characteristics. Yeewo Pictures is primarily engaged in film projects, including production and related activities in the Chinese market. The comparables were chosen based on strict criteria: they are listed companies deriving more than 80% of their revenue from video entertainment and programming providers (specifically film and television production/distribution), and more than 80% of their revenue from China, with published financials available. This ensures geographic, operational, and market risk alignment with Yeewo Pictures, which operates in the same industry and region.

The list of comparable companies is exhaustive within the defined selection criteria.

**Detailed Basis to Project the Appraised Value Using the Profit Guarantee and the Penalty Interest**

The appraised value is based on the profit guarantee and penalty interest because these contractual obligations represent the key financial assets underlying the Target Company. As the Target Company has no operation and no other significant assets or liabilities except holding the profit guarantee and penalty interest of the Film project, these contractual cash flows form the core of its economic substance and contribute to the valuation under the income approach. The valuation focuses on these enforceable rights rather than on forecasting the Film's uncertain commercial performance.

Profit Guarantee: Yeewo Pictures has agreed to provide a profit guarantee of RMB25,572,000 for the 10% interest in the Film project. This amount serves as the floor for future cash flows. Based on the Valuer's assumption, this guaranteed sum is expected to be received on 28 June 2028, approximately five months after the Film's assumed release. The current receipt estimation of five months post-release is a reasonable estimation based on the most up-to-date assessment of the payment process. This forecast reflects an expected timeline that accounts for the Film's assumed one-month theatrical release period in China, followed by approximately five months for the completion of necessary administrative processing and the receipt of the guaranteed sum. The variance of one month from the 2022 estimation does not constitute a material difference, as it represents a minor adjustment within the normal bounds of forecasting and does not have a significant impact on the overall financial valuation.

Penalty Interest: Should the Film not be released within 2022, Mr. Xu Youjiang has further agreed to pay a penalty interest of 5% per annum to the Company. This interest is calculated on the Company's investment amount of RMB20,571,430 and accrues from 1 January 2023 until the Film's release date, calculated on a pro-rata daily basis.

Valuation Methodology: The appraised value was projected as the sum of the present values of the profit guarantee and the projected accrued penalty interest. These cash flows were discounted separately to reflect their different expected receipt dates.

There were no changes in Valuation methodology and assumptions as compared with those used in the independent valuation to determine the fair value of the Group's investment in the Film production as at 31 December 2024.

During the acquisition of the Target Company by the Company in 2022, the income method using comparable films was adopted in the valuation. The change in valuation approach from the income method using comparable films to the current method is a reasonable and necessary adjustment due to the Film's significantly prolonged timeline and the resulting increase in forecasting uncertainty.

Since the Film's post-production registration in February 2018, a delay of over seven years has introduced heightened uncertainty regarding future box office performance. Under these extended conditions, relying on projections based on a selection of other films box office turnover becomes increasingly subjective and unreliable, as past comparables may no longer accurately reflect evolved market dynamics, audience preferences, and the regulatory environment.

In contrast, the current approach centers on the enforceable contractual agreement with Yeewo Pictures, which guarantees a fixed profit sum of RMB 25,572,000 plus accrued penalty interest. Discounting these certain, legally-obligated future cash flows to their present value provides a more direct, objective, and reliable measure of the asset's minimum value. This method substantially reduces speculative assumptions, offering a clearer and more defensible valuation that better reflects the asset's circumstances and the inherent risks of its extended delay.

**Directors' View on the Fairness and Reasonableness of the Valuation and Terms of the Disposal**

The valuation report prepared by the Valuer has been reviewed by the Board to assist the determination of the consideration for the Disposal. The Board has discussed with the Valuer the methodology, bases and assumptions adopted in the Valuation.

In assessing the fairness and reasonableness of the appraised value of the Target Company, the Board understands that the Valuer considered three generally accepted valuation approaches: (i) the cost approach, (ii) the market approach, and (iii) the income approach.

The Board concurs with the valuer's view that the income approach was the most appropriate method in this instance. This approach directly values the future contractual cash flows receivable by the Target Company from the profit guarantee and penalty interest, which constitute its principal source of value. Discounting these certain, contractually-defined cash flows to their present value provides the most direct and reliable measure of the asset's worth under the circumstances.

The Board agrees that the cost approach was not appropriate, as the value of the Target Company is not derived from its underlying net asset value but rather from its contractual right to future income. The Board also considered that the market approach was not suitable due to the absence of sufficient, reliable public data on comparable companies or transactions involving similar financial guarantee arrangements for specific, unreleased film projects. The unique nature of the asset and the lack of directly comparable market benchmarks rendered this method inapplicable.

Furthermore, the Board understands from the Valuer that significant effort was undertaken to identify an appropriate credit benchmark for determining the discount rate. Having reviewed the selection criteria and the list of comparable companies – primarily engaged in film production in China – the Board notes that their median implied credit profile serves as a reasonable proxy for the systemic business risk. The Board agrees that mapping this profile to a domestic BB rating (per S&P's mapping methodology) and using the corresponding ChinaBond yield, supplemented by a justified illiquidity premium, resulted in a robust and market-derived discount rate.

The Board also concurs with the Valuer's application of specific, prudent assumptions, particularly regarding the projected timeline for film release and receipt of cash flows. These assumptions were based on a combination of management advisories and an objective analysis of industry benchmarks for delayed films, providing a reasoned foundation for the cash flow projection despite the inherent uncertainties acknowledged by the Directors.

The Board is satisfied that the Valuer's bases, valuation methodology, key assumptions, and the derivation of critical inputs such as the discount rate are appropriate, well-reasoned, and in compliance with professional valuation standards under the current circumstances.

**FURTHER DETAILS ABOUT THE REASONS FOR THE DISPOSAL**

During the acquisition of the Target Company by the Company in 2022, the Board was optimistic in film industry in light of the expected recovery from COVID-19 pandemic and the growing trend in box offices in general before the outbreak of COVID-19. Through the discussion with Yeewo Pictures at that time, the approval was expected to be obtained before the end of 2022. The Company has already considered the risks of delay in the grant of approval. Nevertheless, after considering the factors that production work has already been largely completed already, the theme of the Film Project contains no sensitive content and is unlikely to be banned by the government or require amendments, and the provision of penalty interest from Mr. Xu Youjiang for any delay in the release of the Film from 1 January 2023 onwards, the Company believed that the potential rewards to be brought by the acquisition would outweigh the potential risks.

Yeewo Pictures agreed to provide a profit guarantee in the sum of RMB25,572,000 for the 10% interest in the Film project. However, the profit guarantee was given on the basis that the Film could be actually released and generate revenue. During the negotiation stage of the profit guarantee, the Company has indeed endeavoured to bargain for a profit guarantee in the event that the Film was not released before a stipulated time. However, Yeewo Pictures refused the same. There is no liability on the part of Yeewo Pictures to compensate the Group at all if the Film is simply not released. Further, even the Film could be released, it will still take a long time (which is estimated to be 1 − 2 years) before the financial results of the Film could be finalized and (if applicable) the profit guarantee is triggered.

The unexpected prolonged delay in obtaining the release approval of the PRC government was the major factor resulting in the decision of the management to dispose of the Target Company. The Company continued to face substantial uncertainties and risks on its investment in the Film. The Film project was established (立項) in 2016. According to the information available to the Company, it was observed that there was an aggregate of 87 co-production film (合拍片), the project of which was established (立項) in 2016. Up to the date hereof, among those 87 films, there are still 48 films, representing approximately 55.2% of the 87 films, which were not yet approved for release. It must be stressed that 2028 is only an expected, but not confirmed, release date of the Film based on market research data from the China Film Administration. Nevertheless, the approvals of film release are heavily affected by policy of the PRC Government, and it is difficult to foresee with certainty which factor would accelerate or affect the release of the film. From the business perspective, this constituted substantial uncertainty and risk to the Company and, after waiting for nearly 4 years, the Company is of the view that it is no longer justified to wait indefinitely for a fortune which may never come.

While the median pending duration is 9.17 years, the Company observes that there is an increasing trend of duration of approval from 2022 to 2025. In 2022, there was only one film that the pending duration was over 9 years. In 2025, there were 7 films which have been successfully published with the pending duration were over 9 years. Although the median pending duration is 9.17 years and the Valuer expected that the Film can be published in 2028, there is no assurance on such timing and there is possibility for further delay. The Group did not have the capacity to approach the relevant PRC governmental authority directly on the release of the Film. Nevertheless, it has been maintaining frequent communications with Yeewo Pictures, which has channel of communications with the relevant authority, on the same. The Group understands that Yeewo Pictures has been enquiring the relevant authority on the progress of grant of approval at frequent intervals. However, up to the date hereof, there is no indication on a concrete timeline on the grant of the same. In addition, the Company has a more imminent needs of funds for establishment of a new factory in the PRC due to the enhancement of regulatory environment policies in the PRC on the bio-degradable plastic products. There is never any assurance that a buyer could always be located, taking into account the substantial uncertainties of the date of release of the Film. Given that there is a willing buyer available, the Company decided to capture such opportunity to realize such idle assets in order to put its financial resources into better use. If the Company does not capture the opportunity this time, there is never any assurance that the Company can locate a buyer in the future.

Following the enhancement of regulatory environment policies in the PRC on the disposable plastic products, in particular in certain provinces and cities, such as Hainan and Shanghai, the government has banned the use of non-degradable plastics. The Group expected that there would be a significant decrease in revenue and net profit for the year ended 31 December 2025 as compared to that of 2024, due to the intense market competition, reduced demand on plastic box after COVID-19, and gradual change of the preference to the use of bio-degradable plastic products in the market.

In order to maintain its market competitiveness and keep up-to-date with the market trend, the Group is determined to upgrade and establish a self-owned factory with the equipment that is capable of producing bio-degradable plastic products that could comply with the regulatory environment policies. In implementing the said business plan, the Company requires substantial financial resources to build the new factory and procure new machineries and equipments for the production of bio-degradable plastic products. Based on the current plan and budget of the Group, the Group will need to expend:

(i) an aggregate of approximately RMB150 million for the acquisition of land-use rights and construction of the new factory building; and

(ii) an aggregate of approximately RMB118 million for the preparation for the production of bio-degradable plastic products, including the purchase of machinery, equipment and mould and working capital.

As at 31 December 2025, the Group had cash of approximately RMB215 million and there is apparently a shortfall as compared with the capital needs. Further, the Group also needs to reserve more financial resources to cope with the expected more challenging business environment in the near future in light of the intense competition from other market competitors of new bio-degradable plastic products, which are expected to be more popular in the market. Further, considering the decreasing trend of revenue and net profit, the Group has to reserve more financial resources for the new factory from other sources rather than solely relying on the operations cash inflow.

Given that there is no prospect that the release approval of the Film would be obtained in the foreseeable future, the management considers that it is in the interest of the Company to realize its investments in the Target Company and promptly receive the proceeds for other business plan of the Group.

Inevitably, the Company has incurred a loss in the Disposal. The original acquisition cost of Sale Shares was approximately RMB20.6 million (which was partially satisfied by way of allotment and issue of new shares of the Company). For details, please refer to the circular of the Company dated 16 March 2022. The Group disposed of the same at the consideration of RMB15.0 million. Taking into account the penalty interest of approximately RMB1.9 million received, and approximately RMB1.2 million to be received, by the Group and the opportunity costs which could be saved by disposing of the unperforming assets, the loss of the Group was indeed not significant. In light of the aforesaid, the Board considered that the transaction is fair and reasonable.

Save as disclosed above, all other information in the Previous Announcement remain unchanged.

By order of the Board
**Yik Wo International Holdings Limited**
**Xu Youjiang**
*Chairman and Executive Director*

Hong Kong, 16 February 2026

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Youjiang, Ms. Xu Liping, Mr. Zhang Yuansheng and Mr. Cheng Congyu; and three independent non-executive Directors, namely Mr. Chang Eric Jackson, Mr. Yang Jie and Mr. Zhang Hongbo.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Listed Company Information" page of Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.yikwo.cn.*