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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

The board (“**Board**”) of directors (“**Directors**”) of Yik Wo International Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2025. This announcement, containing the full text of the 2025 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of annual results.

By order of the Board

Yik Wo International Holdings Limited

Xu Youjiang

Chairman and Executive Director

Hong Kong, 30 March 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. Yang Jie, Mr. Zhang Hongbo and Mr. Chan Chun Hin.

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 the 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.

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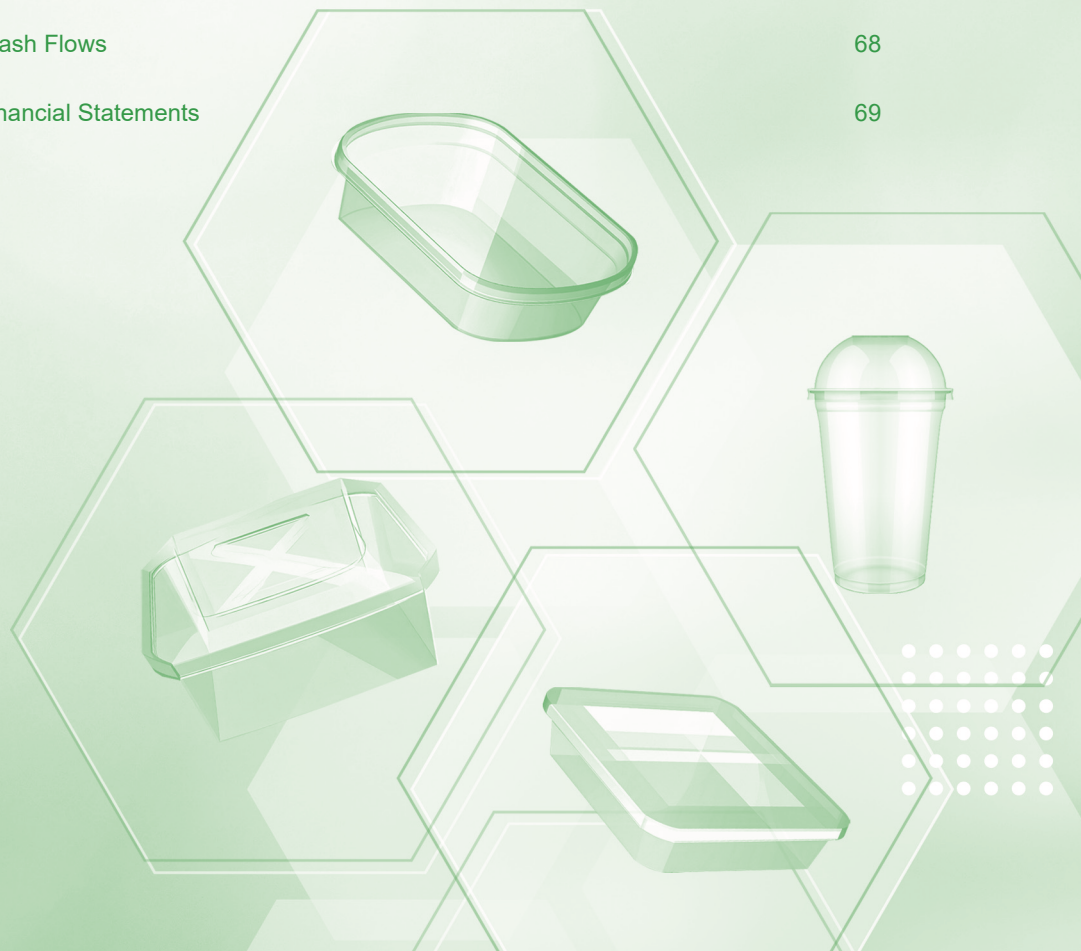
Annual Report

2025



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Youjiang (*Chairman*)
Ms. Xu Liping
Mr. Zhang Yuansheng
Mr. Cheng Congyu (appointed on 6 October 2025)

Independent non-executive Directors

Mr. Chan Chun Hin (appointed on 10 February 2026)
Mr. Yang Jie (appointed on 26 June 2025)
Mr. Zhang Hongbo (appointed on 6 October 2025)
Mr. Liu Dajin (resigned on 6 October 2025)
Mr. Deng Zhihuang (resigned on 26 June 2025)
Mr. Chang Eric Jackson (resigned on 10 February 2026)

COMPLIANCE OFFICER

Mr. Xu Youjiang

AUTHORISED REPRESENTATIVES (FOR THE PURPOSES OF THE GEM LISTING RULES)

Ms. Lui Mei Ka
Mr. Xu Youjiang

COMPANY SECRETARY

Ms. Lui Mei Ka

AUDIT COMMITTEE

Mr. Chan Chun Hin (*Chairman*)
(appointed on 10 February 2026)
Mr. Yang Jie (appointed on 26 June 2025)
Mr. Zhang Hongbo (appointed on 6 October 2025)
Mr. Liu Dajin (resigned on 6 October 2025)
Mr. Deng Zhihuang (resigned on 26 June 2025)
Mr. Chang Eric Jackson (resigned on 10 February 2026)

REMUNERATION COMMITTEE

Mr. Yang Jie (*Chairman*) (appointed on 26 June 2025)
Mr. Chan Chun Hin (appointed on 10 February 2026)
Mr. Zhang Hongbo (appointed on 6 October 2025)
Mr. Zhang Yuansheng
Mr. Deng Zhihuang (resigned on 26 June 2025)
Mr. Chang Eric Jackson (resigned on 10 February 2026)
Mr. Liu Dajin (resigned on 6 October 2025)

NOMINATION COMMITTEE

Mr. Zhang Hongbo (*Chairman*)
(appointed on 6 October 2025)
Mr. Yang Jie (appointed on 26 June 2025)
Mr. Chan Chun Hin (appointed on 10 February 2026)
Mr. Xu Youjiang
Mr. Liu Dajin (resigned on 6 October 2025)
Mr. Deng Zhihuang (resigned on 26 June 2025)
Mr. Chang Eric Jackson (resigned on 10 February 2026)

RISK MANAGEMENT COMMITTEE

Mr. Xu Youjiang (*Chairman*)
Ms. Xu Liping
Mr. Zhang Yuansheng
Mr. Zhang Hongbo (appointed on 6 October 2025)
Mr. Liu Dajin (resigned on 6 October 2025)

AUDITOR

Grant Thornton Hong Kong Limited
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Jinjiang Longhu Branch
Baikai Jingbianzhong Complex
Fenglin Industrial Zone
Longhu Town
Jinjiang City
Fujian Province
China

CORPORATE INFORMATION

REGISTERED OFFICE IN CAYMAN ISLANDS

Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wukeng Industrial Zone
Longhu Town
Jinjiang City
Fujian Province
China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 6, 3/F., Lladro Centre
72 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

WEBSITE ADDRESS

www.yikwo.cn

STOCK CODE

8659

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the “**Board**”) of Yik Wo International Holdings Limited, I am pleased to present the annual report of the Company and its subsidiaries for the year ended 31 December 2025.

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

For the year ended 31 December 2025, the Group recorded a revenue of approximately RMB178.2 million, representing a year-on-year decrease of approximately 42.5% (2024: approximately RMB309.8 million). Loss for the year attributable to owners of the Company was approximately RMB6.8 million (2024: profit for the year of approximately RMB27.2 million). Such increase in net loss was mainly attributable to the fact that a substantial number of the Group's products were included in the National Centralised Drug Procurement programme launched by the government of the People's Republic of China in 2025. The National Centralised Drug Procurement is a key national policy implemented to lower drug prices and alleviate the burden of medical expenses on the general public. In line with the pricing mechanism of this national policy, the Group has adjusted the selling prices of the relevant procured products, which has led to a significant narrowing of the gross profit margin of the affected products and consequently exerted an adverse impact on the overall profitability of the Group during the Year.

PROSPECTS

Looking forward, the Directors consider that the Group will continue to be affected by external opportunities and challenges such as the popularity of environmentally friendly disposable plastic food storage containers, advances in production technologies and competition from substitutes, such as disposable food storage containers in the market made of other materials. The Directors are of the view that maintaining product safety and focusing on environmental protection, brand promotion, expansion of sales channels and product customisation remain to be the key drivers for the growth of the disposable plastic storage container business. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen its market position in the industry and expand its market share by the implementation of the Group's business plans.

In addition, the e-commerce market in the PRC has continued to grow over the past few years. The Group acquired 100% interest in Beijing Youpinhui Trading Co., Ltd.* (北京優拼匯商貿有限公司) (“**Beijing Youpinhui**”) through acquisition of Youpinhui Enterprise Limited (“**Youpinhui Enterprise**”), which held Beijing Youpinhui, on 1 June 2022. Beijing Youpinhui is engaged in the development and operation of mobile app and e-commerce platform. In July 2022, the Group launched a new e-commerce APP platform Yihe Tianxia* (易和天下), which is an online shopping platform covering daily necessities, beauty and skin care, household appliances, domestic special agricultural products and other products. During the year ended 31 December 2025, Yihe Tianxia set up several retail shops in various cities in the PRC to sell daily necessities and other household goods.

CHAIRMAN'S STATEMENT

The Group will continue to develop commercial business, continuously optimise customer experience, broaden its revenue stream and ultimately maximise shareholder returns.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our shareholders, business partners, and valued customers for their continuous support, while also expressing my appreciation to the management team and staff for their hard work and contribution to the development of the Group.

Xu Youjiang

Chairman

Hong Kong, 30 March 2026

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	178,179	309,830	323,301	287,499	262,637
(Loss) profit from operations	(4,628)	41,228	42,181	47,435	47,868
(Loss) profit for the year	(6,773)	27,214	27,578	33,814	35,231
(Loss) profit for the year attributable to owners of the Company	(6,773)	27,214	27,578	33,814	35,231
Total comprehensive (expense) income for the year attributable to owners of the Company	(4,975)	27,266	27,532	32,934	35,361

ASSETS AND LIABILITIES

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Assets					
Non-current assets	41,748	42,947	55,197	64,305	47,297
Current assets	262,853	296,300	258,614	215,542	153,456
Total assets	304,601	339,247	313,811	279,847	200,753
Equity and liabilities					
Non-current liability	3,283	2,209	4,230	2,003	2,430
Current liabilities	17,848	48,593	48,402	44,197	32,884
Total liabilities	21,131	50,802	52,632	46,200	35,314
Total equity	283,470	288,445	261,179	233,647	165,439
Total equity and liabilities	304,601	339,247	313,811	279,847	200,753
Net current assets	245,005	247,707	210,212	171,345	120,572
Total assets less current liabilities	286,753	290,654	265,409	235,650	167,869

FINANCIAL SUMMARY

The following table summarizes the consolidated financial statements of Group in respective years as indicated:

	Year ended 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	262,637	287,499	323,301	309,830	178,179
Cost of sales	(186,689)	(203,639)	(229,179)	(218,900)	(133,675)
Gross profit	75,948	83,860	94,122	90,930	44,504
Other income	266	324	1,365	1,318	1,285
Selling expenses	(12,232)	(14,042)	(20,077)	(17,277)	(10,576)
Administrative and other operating expenses	(15,919)	(22,543)	(30,152)	(25,572)	(33,390)
Change in fair value of financial assets at fair value through profit or loss	—	—	(947)	(4,209)	(5,416)
Impairment loss on intangible assets and property, plant and equipment	—	—	(2,130)	(3,962)	(1,035)
Profit (loss) from operations	48,063	47,599	42,181	41,228	(4,628)
Finance costs	(195)	(164)	(211)	(256)	(186)
Profit (loss) before income tax	47,868	47,435	41,970	40,972	(4,814)
Income tax expense	(12,637)	(13,621)	(14,392)	(13,758)	(1,959)
Profit (loss) for the year	35,231	33,814	27,578	27,214	(6,773)
Profit (loss) for the year attributable to:					
Equity holders of the Company	35,231	33,814	27,578	27,214	(6,773)
Non-controlling interests	—	—	—	—	—
	35,231	33,814	27,578	27,214	(6,773)
Other comprehensive income/(expenses), net of tax:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation recognised	130	(880)	(46)	52	1,798
Total comprehensive income (expenses) for the year	35,361	32,934	27,532	27,266	(4,975)
Total comprehensive income (expenses) for the year attributable to:					
Equity holders of the Company	35,361	32,934	27,532	27,266	(4,975)
Non-controlling interests	—	—	—	—	—
	35,361	32,934	27,532	27,266	(4,975)

FINANCIAL SUMMARY

Note:

Pursuant to the group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus of the Company dated 30 June 2020 (the “**Prospectus**”) (the “**Group Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 31 May 2019. By completing the corporate division and interspersing the Company and other intermediate holding companies between the operating company, and the ultimate controlling shareholders, the Company became the holding company of the companies now comprising the Group on 31 May 2019. The Group is under the control of Mr. Xu prior to and after the Group Reorganisation. Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants as if the Company had always been the holding company of the Group.

The above financial information is extracted from the consolidated statements of profit or loss and other comprehensive income of the Group for the years ended 31 December 2021, 2022, 2023, 2024 and 2025, which are prepared as if the current group structure had been in existence throughout the years ended 31 December 2021, 2022, 2023, 2024 and 2025 or since the date of incorporation of respective group companies where there is a shorter period.

As at 31 December					
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Total assets	200,753	279,847	313,811	339,247	304,601
Total liabilities	(35,314)	(46,200)	(52,632)	(50,802)	(21,131)
Net assets	165,439	233,647	261,179	288,445	283,470
Equity attributable to:					
– Owners of the Company	165,439	233,647	261,179	288,445	283,470
– Non-controlling interests	—	—	—	—	—
	165,439	233,647	261,179	288,445	283,470

Note:

Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on 31 May 2019. By completing the corporate division and interspersing the Company and other intermediate holding companies between the operating company, and the ultimate controlling shareholders, the Company became the holding company of the companies now comprising the Group on 31 May 2019. The Group is under the control of Mr. Xu prior to and after the Group Reorganisation. Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants as if the Company had always been the holding company of the Group.

The above financial information is extracted from the consolidated statements of financial position of the Group as at 31 December 2021, 2022, 2023, 2024 and 2025 which present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at those dates.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue for the year ended 31 December 2025 was approximately RMB178.2 million, representing a decrease of approximately 42.5% as compared to the corresponding year ended 31 December 2024. The Group recorded a loss attributable to the owners of the Company of approximately RMB6.8 million whilst the profit attributable to owners of the Company last year was approximately RMB27.2 million.

The Group facilitates production of a comprehensive range of disposable plastic food storage containers, which are mainly sold to customers in the PRC.

For the year ended 31 December 2025, the revenue of the Group recorded a decrease primarily due to the sluggish demands for the Group's disposable plastic food storage containers after significant growth of revenue in the past two years.

Looking forward, the Directors consider that the Group will continue to be affected by external opportunities and challenges such as the popularity of environmentally friendly disposable plastic food storage containers, advances in production technologies and competition from substitutes, such as disposable food storage containers in the market made of other materials. The Directors are of the view that maintaining product safety and focusing on environmental protection, brand promotion, expansion of sales channels and product customisation remain to be the key drivers for the growth of the disposable plastic storage container business. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen its market position in the industry and expand its market share by the implementation of the Group's business plans through utilisation of the Group's cash and cash equivalents and cash generated from operating activities.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2025, the Group's total revenue amounted to approximately RMB178.2 million (2024: approximately RMB309.8 million). The Group recognised a decrease of total revenue by approximately RMB131.7 million or approximately 42.5% from 2024 to 2025.

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. In additions, the significant increase in Unites States tariffs has led to a significant decline in demand and sales of disposable plastic products in the PRC. There were a significant decrease in revenue 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, increase in Unites States tariffs and gradual change of the preference to the use of bio-degradable plastic products in the market. The Group expected that there will be more challenging business environment in the near future in light of the intense competition from other market competitors of new biodegradable plastic products, which are expected to be more popular in the market.

Cost of sales

The cost of sales decreased from approximately RMB218.9 million for the year ended 31 December 2024 to approximately RMB133.7 million for the year ended 31 December 2025, representing a decrease of approximately RMB85.2 million or approximately 38.9%. Such decrease was in line with the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit of the Group decreased by approximately RMB46.4 million or approximately 51.1% from approximately RMB90.9 million for the year ended 31 December 2024 to approximately RMB44.5 million for the year ended 31 December 2025. The overall gross profit margin remained relatively stable and amounted to approximately 29.3% and 25.0%, respectively for the two years ended 31 December 2024 and 2025.

Selling expenses

Selling expenses for the year ended 31 December 2025 amounted to approximately RMB10.6 million (2024: RMB17.3 million), representing a decrease of 38.8%. Such decrease was attributable to the decrease in selling expenses, including sales staff costs and promotional expenses incurred by both segments of disposable plastic food storage containers and e-commerce.

Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately RMB7.8 million or approximately 30.6% from approximately RMB25.6 million for the year ended 31 December 2024 to approximately RMB33.4 million for the year ended 31 December 2025.

Administrative and other operating expenses primarily consist of staff costs, amortisation expenses on intangible assets, research and development cost, legal and professional service fees and other costs incurred for the Group's daily operation. The increase was primarily attributable to the increase in research and development cost arising from change to disposable plastic products.

There was impairment loss on intangibles assets and property, plant and equipment of approximately RMB1.0 million (2024: RMB4.0 million), including RMB0.7 million impairment loss on mobile app development costs included in intangible assets and RMB0.3 million impairment loss on an office held under leases included in property, plant and equipment.

Finance costs

During the year ended 31 December 2025, finance costs for the Group amounted to approximately RMB186,000 (2024: RMB256,000). It was mainly due to the lease arrangement in respect of an office, retail shops and factory premises.

Income tax expense

Income tax expense for the Group decreased by approximately RMB11.8 million or 85.8% from approximately RMB13.8 million for the year ended 31 December 2024 to approximately RMB2.0 million for the year ended 31 December 2025.

(Loss) profit for the year

(Loss) profit for the year changed from profit of approximately RMB27.2 million for the year ended 31 December 2024 to loss of approximately RMB6.8 million for the year ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE RISKS

The Group operated mainly in the PRC with most of the Group's transactions settled in Renminbi. As such, the Group did not have significant exposure to foreign exchange risk during the year. The Group did not use any financial instruments for hedging purpose during the year ended 31 December 2025.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

The Group currently does not have interest rate hedging policy. However, the management of the Group closely monitors its exposure to future cash flow risk as a result of change in market interest rate and will consider hedging on changes in market interest rates should the need arise.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group is exposed to credit risk in relation to its bank deposits, trade and other receivables.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

Liquidity risk

In managing the Group's liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net current assets decreased slightly from approximately RMB247.7 million as at 31 December 2024 to approximately RMB245.0 million as at 31 December 2025.

The current ratio increased from approximately 6.1 times as at 31 December 2024 to approximately 14.7 times as at 31 December 2025.

The gearing ratio is calculated based on debts divided by total equity as at the respective dates and multiplied by 100%. The gearing ratio decreased from approximately 16.1% as at 31 December 2024 to approximately 5.5% as at 31 December 2025.

Cash position

As at 31 December 2025, the cash and cash equivalents of the Group were approximately of RMB211.0 million (2024: approximately of RMB206.1 million). The increase was mainly due to net cash generated from operating activities.

Borrowings

As at 31 December 2025, the Group had no borrowings (2024: Nil). As at 31 December 2024 and 2025, all the trade and other payables were current liabilities and repayable on demand.

Lease Liabilities

As at 31 December 2025, the Group had lease liabilities of approximately RMB5.6 million (31 December 2024: RMB4.2 million), which are to be repaid based on the agreed repayment schedule ranging from 3 to 20 years as set out in the agreements. For details of the lease liabilities, please refer to note 22 to the audited consolidated financial statements.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 July 2020. There has been no change in the capital structure of the Group since the listing of the shares of the Company on GEM of the Stock Exchange and up to date of this report. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2025, the Group had consideration payable (included in trade and other payables) of approximately RMB6.2 million, which was interest-free, denominated in Renminbi and repayable on demand upon the date when the film is publicly released in the cinemas in the PRC. The consideration payable represented the promissory notes issued for acquisitions of 100% of equity interest of June pictures.

As at 31 December 2025, the Company's issued share capital was approximately HK\$7.5 million and the number of its issued ordinary shares was 748,482,760 of HK\$0.01 each.

Details of the movements during the year ended 31 December 2025 in the Company's share capital are set out in note 23 to the audited consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSCRIPTIONS OF NEW SHARES

On 24 December 2025, the Company entered into the subscription agreements with Mr. Wei Guochun and Mr. Ruan Shixian, (the **“Subscribers”**), pursuant to which the Company has conditionally agreed to issue to the Subscribers, and the Subscribers have conditionally agreed to subscribe for, the subscription shares, being a total of 149,696,552 subscription shares at the subscription price of HK\$0.12 per subscription share under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 25 June 2025.

The gross proceeds from the subscriptions and the net proceeds from the subscriptions, after deducting professional fees and all relevant expenses, will be approximately HK\$17.96 million and approximately HK\$17.84 million, respectively. The Company intends to apply the net proceeds from the subscriptions for the settlement of other payables of the Company and for general corporate and working capital purposes, which is expected to be fully utilised by end of 2027.

For details of the subscriptions, please refer to the announcements of the Company dated 24 December 2025 and 27 February 2026.

SEGMENTAL INFORMATION

The Directors regard the Group had two operation segments, being (i) design, development, manufacturing and sales of disposable plastic food storage containers; and (ii) sales of daily necessities and other household goods on e-commerce platform and retails shops.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group has a preliminary plan to build a new factory and procure new machineries and equipment 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.

As at 31 December 2025, save as disclosed above, the Group did not have plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 31 December 2025, the Company and 廈門榮登盛世國際貿易有限公司 (Xiamen Rongdeng Shengshi International Trading Co. Ltd.)* (the “**Purchaser**”) entered into the agreement, pursuant to which the Company has conditionally agreed to sell the 100% equity interest in June Pictures & Media Limited (頤臻影視傳媒有限公司), an indirectly wholly owned subsidiary of the Company, to the Purchaser at the consideration of RMB15 million. June Pictures & Media Limited is principally engaged in investment holding, which in turn holds 10% interest in a film project, with the tentative title “English (英格力士)”. The disposal was completed on 23 March 2026.

For details of the disposal, please refer to the announcements of the Company dated 31 December 2025, 16 February 2026 and 23 March 2026.

Save as disclosed above, during the year ended 31 December 2025, the Group did not make any other significant investments, acquisitions or disposal during the year ended 31 December 2025 which would constitute a discloseable transaction under GEM Listing Rules.

CHARGES ON GROUP ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any material contingent liabilities (2024: Nil).

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Youjiang (許有獎), aged 59, is the chairman of our Company and our executive Director.

Mr. Xu was appointed as our Director on 13 December 2018 and was re-designated as our executive Director on 9 May 2019. Mr. Xu is primarily responsible for the overall management, strategic development and decision-making of our Group.

Mr. Xu has over 30 years of experience in the production of plastic products. In March 1992, Mr. Xu joined Jinjiang Hengsheng Toys Co., Ltd.* (晉江恒盛玩具有限公司) (“**Hengsheng Toys**”), a company that engages in the manufacturing of toys, toy accessories, electronic games, plastic products and daily household appliances etc., as the deputy general manager, where he was responsible for overseeing the daily operations of the factory. He was appointed as the vice chairman in November 1998. From August 2002 to March 2019, he was the general manager and was responsible for making major operational decisions of the company. From July 2011 to March 2019, Mr. Xu was the general manager of Quanzhou Jazz Apparel Co., Ltd.* (泉州爵士兔服飾有限公司), a company that engages in the manufacturing of children apparels and accessories under the “JAZZIT” brand, where he was responsible for managing and overseeing the business operations. Mr. Xu was also the executive director of Quanzhou Jazz Apparel Co., Ltd.* (泉州爵士兔服飾有限公司) from July 2011 to July 2014. Since March 2011, Mr. Xu has been the executive director and general manager of Fujian Hengsheng Animation Culture Diffusion Co., Ltd.* (福建恒盛動漫文化傳播有限公司) (“**Hengsheng Animation**”). Mr. Xu was appointed as a director of the Quanzhou Bags Association in January 2011, a member of the executive committee of Jinjiang Federation of Industry and Commerce (General Chamber of Commerce) in December 2011, the vice chairman of the Jinjiang Association of Enterprises with Foreign Investment* (晉江外商投資企業協會) in April 2012, a director of the Jinjiang Longhu Chamber of Commerce and Foreign Investment Enterprise Association* (晉江市龍湖商會暨外商投資企業協會) in October 2012 and a director of the Jinjiang Federation of Enterprises and Entrepreneurs* (晉江市企業與企業家聯合會) in June 2017. Mr. Xu obtained his specialist diploma in marine engineering management from Jimei Navigation College* (集美航海專科學校) in the PRC in July 1989. He completed the executive training programme for Jinjiang entrepreneurs at the School of Professional and Continuing Education of the University of Hong Kong in June 2012. He then completed a business administration advanced seminar for senior executives at Huaqiao University in August 2014. Mr. Xu was a director of Heng Sheng Holding Group Limited (900270: KS) from July 2015 until his resignation in March 2019 after his careful consideration so as to focus on and fully devote his time as the chairman and executive director for the management, strategic development and business operations of our Group in the manufacturing of disposable plastic food storage containers. Mr. Xu is the spouse of Ms. Xu Liping.

Ms. Xu Liping (許麗萍), aged 54, is our executive Director. Ms. Xu joined our Group on 2 January 2019 as the vice chairman of Hengsheng Animation.

She was appointed as our Director on 18 March 2019 and re-designated as our chief executive officer and executive Director on 9 May 2019. Ms. Xu is primarily responsible for the business development and overseeing daily administration and operations of our Group. Ms. Xu has over 30 years of experience in the production of plastic products. From September 1990 to December 2000, Ms. Xu worked as the packaging executive at Jinjiang Longhu Xiuheng Plastic Toy Accessories Co., Ltd.* (晉江市龍湖秀恒塑料玩具配件有限公司), a company that engages in the production of plastic toy accessories, where she was responsible for overseeing the daily management of the packaging department. From January 2001 to March 2012, she worked as the production supervisor at Jinjiang Henghui Packaging Co., Ltd.* (晉江恒輝箱包有限公司), a company that engages in the production of bags and luggages, where she was responsible for monitoring the operations of the production unit. From April 2012 to July 2014, she worked as the supervisor at Jazz Rabbit Apparels, a company that engages in the manufacturing of children apparels and accessories under the “JAZZIT” brand, where she was responsible for overseeing the business operations of the Company. From August 2014 to December 2018, she rejoined Jinjiang Henghui Packaging Co. Ltd.* (晉江恒輝箱包有限公司) as the deputy general manager and was responsible for the management and daily operations of the Company. Ms. Xu is the spouse of Mr. Xu Youjiang.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Yuansheng (張緣生), aged 39, is our executive Director. Mr. Zhang joined our Group on 6 May 2014 as a manager of the finance department of Hengsheng Animation.

He was appointed as our Director on 18 March 2019 and was re-designated as our executive Director on 9 May 2019. Mr. Zhang is primarily responsible for overseeing the daily operations and financial management of our Group. Mr. Zhang has over 15 years of experience in the accounting and finance industry. From January 2009 to September 2010, he worked as an audit assistant at Dongguan Jinzheng Accountancy* (東莞市金正會計師事務所). From October 2010 to February 2012, he worked as an accountant at Xiamen Canxing Travel Services Ltd.* (廈門燦星國際旅行社有限公司). From February 2012 to April 2014, he worked as an accounting supervisor at Hengsheng Toys. Mr. Zhang obtained a bachelor's degree in management and completed a four-year accounting specialist programme in Putian University in July 2009.

Mr. Cheng Congyu (程琮瑜), aged 42, was appointed as our executive Director on 6 October 2025.

Mr. Cheng graduated from Finance and Economics School, Soochow University (蘇州財經學院) majoring in Accounting, Finance and Insurance in 2001. Mr. Cheng is currently the general manager of Beijing Yihe Tianxia Network Technology Co., Ltd. (北京易和天下網絡科技有限公司), an indirectly wholly owned subsidiary of the Company, and is fully responsible for the management of the Group's e-commerce platform "Yihe Tianxia (易和天下)". Mr. Cheng has rich experience in the financial industry covering banking, investment, private equity funds and asset management. In 2014, he founded Beijing Admonition Asset Management Co., Ltd. (北京箴言資產管理有限公司), and served as the legal representative, president and general manager of the company's Risk Control Department. This company became a private fund company registered with the Asset Management Association of China in 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Hin (陳駿軒), aged 33, was appointed as our independent non-executive Director on 10 February 2026.

Mr. Chan obtained a bachelor's degree in Business Administration in Accountancy from The Hong Kong Polytechnic University in 2015. Mr. Chan is currently a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has comprehensive experience in corporate governance, compliance, auditing, accounting and corporate finance. Mr. Chan currently serves as the finance director of Merit Corporate Services Company Limited. Mr. Chan has been appointed as the company secretary of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (stock code: 1915) since 26 November 2025, Jintai Energy Holdings Limited (stock code: 2728) since 27 October 2025 and JLogo Holdings Limited (stock code: 8527) since 18 October 2024.

Mr. Yang Jie (楊杰), aged 39, was appointed as our independent non-executive Director on 26 June 2025.

Mr. Yang obtained his Bachelor degree from Beihang University* (北京航空航天大學). He has been deeply engaged in the home appliance and new energy industries for more than ten years, integrating technical process expertise with after-sales service experience, thus gaining a comprehensive understanding of industry operations. He has long served as the after-sales director and general manager in the Beijing region, accumulating successful experience in market operation, team building, and cross-departmental coordination. He served as a technical process specialist and Beijing after-sales supervisor at Guangdong Chigo Air Conditioning Co., Ltd.* (廣東志高空調有限公司) from 2005 to 2009. He worked as the Beijing after-sales manager for air conditioners, refrigerators, and washing machines at Galanz (Zhongshan) Electrical Appliances Co., Ltd.* (格蘭仕(中山)電器有限公司) from 2009 to 2015, and then serving as the general manager of Beijing Qishou Zhijia New Energy Technology Co., Ltd.* (北京騎手之家新能源科技有限公司) from 2015 to 2025.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Hongbo (張洪波), aged 46, was appointed as our independent non-executive Director on 6 October 2025.

Mr. Zhang graduated from Capital University of Economics and Business (首都經濟貿易大學) in 2002 with a bachelor's degree. He holds the professional title of Senior Economist (高級經濟師) and the National Vocational Qualification Level 1 for Enterprise Human Resources Management (企業人力資源管理師(一級)). With over 20 years of experience in corporate human resources management, he has numerous successful cases in strategic planning, corporate culture, and organizational development. He worked at Dongfang Kou'an Technology Co., Ltd. (東方口岸科技有限公司), CNNC Overseas Uranium Industry Co., Ltd. (中國國核海外鈾業公司), Zhengyuan Geomatics Group Co., Ltd. and Aeroengine Academy of China, where he successively held positions including HR Assistant, Director of Human Resources Department and Department Director. Since 2019, he has started his own business and serves as general manager of Beijing Zhongxiu Enterprise Management Co., Ltd. (北京眾袖企業管理有限公司), engaging in the fields of human resources management consulting and labor employment planning.

SENIOR MANAGEMENT

Ms. Shi Yaya (施雅雅), aged 36, has been the procurement manager of our Group since December 2013 and is primarily responsible for overseeing the administration and coordination of the procurement process and cost control.

Ms. Shi has over 10 years of experience in handling procurement matters and managing cost control policies. Since joining our Group in December 2013, Ms. Shi has been the procurement manager and is primarily responsible for formulating procurement and cost control policies, and liaising and maintaining relationships with suppliers. Ms. Shi completed a specialist diploma in English at the Anglo-Chinese College in Fuzhou, the PRC in July 2011.

COMPANY SECRETARY

Ms. Lui Mei Ka, was appointed as the Group's company secretary on 12 April 2024. Ms. Lui is responsible for the company secretary function.

Ms. Lui, graduated from The Chinese University of Hong Kong with a degree in bachelor of business administration and is currently a member of the Hong Kong Institute of Certified Public Accountants. Since 27 September 2018, Ms. Lui has been the chief financial officer and a joint company secretary of Feiyu Technology International Company Limited (stock code: 1022), a company listed on the Main Board of the Stock Exchange. Ms. Lui has also been an independent non-executive director of China Tangshang Holdings Limited (stock code: 674), GoFintech Innovation Limited (stock code: 290) and China Tontine Wines Group Limited (stock code: 389), companies listed on the Main Board of the Stock Exchange, since 21 April 2017, 19 September 2023 and 30 September 2024 respectively. Ms. Lui has over 17 years of experience in financial management and corporate finance. From October 2016 to July 2018, she was the chief financial officer and company secretary of GR Life Style Company Limited (formerly known as GR Properties Limited) (stock code: 108), a company listed on the Main Board of the Stock Exchange and which is engaged in property development and investment. From March 2014 to May 2016, she was the company secretary and financial controller of LT Commercial Real Estate Limited, a company previously listed on the Main Board of the Stock Exchange under the stock code 112, which was engaged in property development and investment.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board is committed to establish and ensure high standards of corporate governance and adopt sound corporate governance practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders' interests.

The Board has adopted the CG Code as set out in Appendix C1 to the GEM Listing Rules. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also enhancing corporate performance and accountability.

The Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2025 (the "**Financial Year**").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. The Company has confirmed, having made specific enquiry of the Directors, that Directors have complied with the standard set out in Model Code throughout the year ended 31 December 2025.

BUSINESS MODEL AND STRATEGY

The Group has the mission to provide the best quality of environmentally friendly disposable food storage containers, at the same time maintain product safety. The Board and the management have played and will continue to play a proactive role in the Group's development of business strategy to preserve the culture of the Group in improving the product quality and safety. During the meetings of the Board and top management of the Group, strategic priorities and business options were discussed and followed up on the implementation status to achieve the mission of the Group.

THE BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and the supervision of management performance. The management is delegated with the authority and the responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board committees which are Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Further details of the Board committees are set out below in this report.

CORPORATE GOVERNANCE REPORT

The Board is entrusted with the overall responsibility of promoting the success of the Company by providing direction and supervision to the Company's business and affairs and to the day-to-day management of the Company, which is delegated to the management. To this end, periodic financial and operational information are provided to the Board for assessing the performance of the Company and its subsidiaries. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The management is responsible for the day-to-day management and operation of the Group and to provide the Board with updates in a timely manner, giving an assessment of the Company's performance and position to enable the Board to discharge its duties.

The Board is responsible for, amongst others, performing the corporate governance duties as set out in the code provision Part 2-A.2.1 of the CG Code, which include:

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the board;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMPOSITION

During the year ended 31 December 2025 and up to the date of this report, the Board comprises of seven Directors, four of whom are executive Directors and the other three are independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Xu Youjiang (Chairman)
Ms. Xu Liping (Chief executive officer)
Mr. Zhang Yuansheng
Mr. Cheng Congyu (appointed on 6 October 2025)

Independent non-executive Directors

Mr. Chan Chun Hiu (appointed on 10 February 2026)
Mr. Yang Jie (appointed on 26 June 2025)
Mr. Zhang Hongbo (appointed on 6 October 2025)
Mr. Chang Eric Jackson (resigned on 10 February 2026)
Mr. Liu Dajin (resigned on 6 October 2025)
Mr. Deng Zhihuang (resigned on 26 June 2025)

CORPORATE GOVERNANCE REPORT

Each of Mr. Cheng Congyu (appointed on 6 October 2025), Mr. Chan Chun Hin (appointed on 10 February 2026), Mr. Yang Jie (appointed on 26 June 2025) and Mr. Zhang Hongbo (appointed on 6 October 2025) obtained the legal advice as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as described in Rule 5.02D of the GEM Listing Rules on 6 October 2025, 6 February 2026, 23 June 2025 and 6 October 2025 respectively. Each of Mr. Cheng Congyu, Mr. Chan Chun Hin, Mr. Yang Jie and Mr. Zhang Hongbo has confirmed that he/she understood his responsibilities as a director of a listed issuer.

All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. The composition of the Board satisfies the requirements of Rules 5.05 and 5.05A of the GEM Listing Rules. There are three independent non-executive Directors and at least one of them has the requisite accounting professional qualification. With more than one-third of the members of the Board as independent non-executive Directors, the Board has a strong independence element in terms of its composition.

The participation of independent non-executive Directors in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The details of Directors are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 15 to 17 of this report. There are no family or other material relationships among members of the Board.

The chairman of the Board provides leadership to the Board and is also responsible for the effective functioning of the Board in accordance with good corporate governance practice and the overall corporate management of the business development strategies of the Group. The executive Directors are responsible for the implementation of the business strategies, policies and objectives set out by the Board and is accountable to the Board for the overall operations of the Group. These functions and responsibilities are currently being shared by the management team.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Hin, Mr. Yang Jie and Mr. Zhang Hongbo were appointed as the independent non-executive Directors on 10 February 2026, 26 June 2025 and 6 October 2025 respectively.

With their professional knowledge and experience, the independent non-executive Directors serve an important function of advising the management of the Group on strategic development and ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole. They are also members of the Company's various committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the risk management committee (the "**Risk Management Committee**").

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence in accordance with Rule 5.09 of the GEM Listing Rules, and therefore, considers each of them to be independent.

CORPORATE GOVERNANCE REPORT

Board Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making. The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination and Remuneration Committee, to ensure their effectiveness:

1. Three out of the six Directors are Independent Non-Executive Directors, which meets the requirements of the GEM Listing Rules that the Board must have at least three Independent Non-Executive Directors and must appoint Independent Non-Executive Directors representing at least one-third of the Board.
2. The Nomination and Remuneration Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-Executive Director before appointment and also the continued independence of existing Independent Non-Executive Directors and their time commitments annually. On an annual basis, all Independent Non-Executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 5.09 of the GEM Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.
3. The Nomination and Remuneration Committee will conduct the performance evaluation of the Independent Non-Executive Directors annually to assess their contributions.
4. External independent professional advice is available as and when required by individual Directors.
5. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/ Board Committee meetings.
6. No equity-based remuneration with performance-related elements will be granted to Independent Non- Executive Directors.
7. A Director (including Independent Non-Executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.
8. The Chairman/Co-Chairman of the Board meets with Independent Non-Executive Directors annually without the presence of the Executive Director.

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors will be continuously be updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company updates Directors on the latest development regarding the GEM Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the information provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2025 is as follows:

Name of Directors	Continuous professional development programmes
Executive Directors	
Mr. Xu Youjiang (Chairman)	Yes
Ms. Xu Liping	Yes
Mr. Zhang Yuansheng	Yes
Mr. Cheng Congyu (appointed on 6 October 2025)	Yes
Independent non-executive Directors	
Mr. Chan Chun Hin (appointed on 10 February 2026)	Yes
Mr. Yang Jie (appointed on 26 June 2025)	Yes
Mr. Zhang Hongbo (appointed on 6 October 2025)	Yes
Mr. Chang Eric Jackson (resigned on 10 February 2026)	Yes
Mr. Liu Dajin (resigned on 6 October 2025)	Yes
Mr. Deng Zhihuang (resigned on 26 June 2025)	Yes

The nature of continuous professional development programmes are attending training courses or reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements.

PRACTICE AND CONDUCT OF BOARD MEETINGS

Schedules and draft agenda of each Board meeting are normally made available to Directors in advance. At least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the company secretary at the meetings and open for inspection by the Directors.

CORPORATE GOVERNANCE REPORT

The Articles contain provision requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest development and the financial position of the Company and to enable them to make informed decisions.

ATTENDANCE RECORDS OF DIRECTORS

Details of Directors' attendance at the annual general meeting ("AGM"), Board and board committee meetings in the year ended 31 December 2025 are set out in the following table:

	Number of meetings attended/held					AGM
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	
Executive Directors						
Mr. Xu Youjiang	7/7	–	–	3/3	1/1	1/1
Ms. Xu Liping	7/7	–	–	–	1/1	1/1
Mr. Zhang Yuansheng	7/7	–	3/3	–	1/1	1/1
Mr. Cheng Congyu	1/1	–	–	–	–	0/0
Independent Non-executive Directors						
Mr. Yang Jie	4/4	1/1	1/1	1/1	–	0/0
Mr. Zhang Hongbo	1/1	0/0	0/0	0/0	0/0	0/0
Mr. Chang Eric Jackson	7/7	2/2	3/3	3/3	–	1/1
Mr. Liu Dajin	5/5	2/2	2/2	2/2	1/1	1/1
Mr. Deng Zhihuang	2/2	1/1	1/1	1/1	–	0/1

BOARD COMMITTEES

The Board has established four committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee with delegated powers for overseeing particular aspects of the Company's affairs. Each of the committees of the Company has been established with written terms of reference.

AUDIT COMMITTEE

The Company established an audit committee on 19 June 2020 in compliance with Rule 5.28 of the GEM Listing Rules. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both website of the Stock Exchange and the Company's website.

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than twice a year and the external auditor may request a meeting if they consider that one is necessary.

CORPORATE GOVERNANCE REPORT

The Audit Committee consists of three independent non-executive Directors. The members of the Audit Committee as at the date of this report are as follows:

Mr. Chan Chun Hiu
Mr. Yang Jie
Mr. Zhang Hongbo

Mr. Chan Chun Jiu was appointed as the Chairman of the Audit Committee with effect from 10 February 2026.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board.

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Grant Thornton Hong Kong Limited ("GT"), and recommended the Board to re-appoint GT as the Company's auditor for the year ending 31 December 2025, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2025 have been reviewed by the Audit Committee, before the annual results were submitted to the Board for approval.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 19 June 2020 in compliance with Rule 5.34 of the GEM Listing Rules. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both website of the Stock Exchange and the Company's website.

Pursuant to the terms of reference of the Remuneration Committee, meetings shall be held at least once a year and additional meetings should be held if the committee shall so request.

The members of the Remuneration Committee consists of one executive Director and three independent non-executive Directors. The members of the Remuneration Committee as at the date of this report are as follows:

Mr. Yang Jie (Chairman)
Mr. Chan Chun Hiu
Mr. Zhang Hongbo
Mr. Zhang Yuansheng

The primary duties of the Remuneration Committee include but without limitation: (a) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and the senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the Directors and the senior management of the Group; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also considers individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

During the year ended 31 December 2025, the Remuneration Committee met three times to review, determine and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors, independent non-executive Directors and senior management, assessing performance of executive Directors and other related matters.

Senior Management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2025 falls within the following bands:

RMB	Number of individuals
Nil to RMB1,000,000	2

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 11 to the audited consolidated financial statements.

REMUNERATION POLICY

The remuneration policy of the Group for the Directors and the senior management was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and the senior management.

NOMINATION COMMITTEE

The Company established a nomination committee on 19 June 2020 in compliance with paragraph B.3.1 of the CG Code. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both website of the Stock Exchange and the Company's website.

Pursuant to the terms of reference of the Nomination Committee, meeting shall be held at least once a year and additional meetings should be held if the committee shall so request.

The members of the Nomination Committee consists of one executive Director and three independent non-executive Directors. The members of the Nomination Committee as at the date of this report are as follows:

Mr. Zhang Hongbo (Chairman)
Mr. Yang Jie
Mr. Chan Chun Hin
Mr. Xu Youjiang

CORPORATE GOVERNANCE REPORT

The primary function of the Nomination Committee is (a) to review the structure, size and composition of the Board on regular basis; (b) identify individuals suitably qualified to become Board members; (c) assess the independence of independent non-executive Directors; and (d) make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors.

Nomination policy

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- (i) the candidate's character and integrity;
- (ii) the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity on the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) 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
- (vii) 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.

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.

CORPORATE GOVERNANCE REPORT

- (ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee/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.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from 13 July 2020 (the “**Listing Date**”), unless terminated by either party thereto giving at least three months’ written notice before the expiry of the then existing term.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial fixed term of three years commencing from the Listing Date or the date of appointment. The term of service shall be renewed and extended as the parties shall agree in writing, unless terminated by either party thereto giving at least one month’s written notice before the expiry of the then existing term.

The procedure and process of appointment, re-election and removal of Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing Board composition, monitoring the appointment of Directors and assessing the independent non-executive Directors.

According to the Articles, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. In addition, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Where a retiring Director, being eligible, offers himself for re-election, 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 GEM Listing Rules.

Nomination of Directors by Shareholder

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 GEM Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT COMMITTEE

The Company established a risk management committee on 19 June 2020 with written terms of reference in compliance with the Listing Rules and the CG Code. The terms of reference setting out the Risk Management Committee's authority, duties and responsibilities are available on both website of the Stock Exchange and the Company's website.

Pursuant to the terms of reference of the Risk Management Committee, meetings shall be held at least once a year and additional meetings should be held if the committee shall so request.

The members of the Risk Management Committee consists of three executive Director and one independent non-executive Director. The members of the Risk Management Committee as at the date of this report are as follows:

Mr. Xu Youjiang (Chairman)
Ms. Xu Liping
Mr. Zhang Yuansheng
Mr. Zhang Hongbo

The primary function of the Risk Management Committee is (a) to regularly identify existing and emerging risks in the business operations of the Company; (b) to review and assess the risk profile and risk management strategies of the Company and make recommendations; (c) to establish precautionary risk management and internal control systems of the Company and provide mitigating solutions; and (d) to monitor the implementation of the risk management measures of the Company and to review the effectiveness and adequacy of the risk management system of the Company.

The Risk Management Committee regularly identifies risks in relation to business operations of the Company and takes any precautionary measures against unforeseen risk.

During the year ended 31 December 2025, the Risk Management Committee met once to discuss the risk associated with business of the Group.

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the audited consolidated financial statements

All Directors understand and acknowledge their responsibility for ensuring that the Group's audited consolidated financial statements for each financial year are prepared to provide a true and fair view of the state of affairs, the financial results and cash flows of the Group in accordance with the GEM Listing Rules and the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and the applicable accounting standards. In preparing the audited consolidated financial statements for the year ended 31 December 2025, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

CORPORATE GOVERNANCE REPORT

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the audited consolidated financial statements is set out in the Independent Auditor's Report.

The reporting responsibilities of the Company's auditor, are set out in the Independent Auditor's Report with full text included from pages 59 to 64 of this report.

Whistle-blowing Mechanism

A Whistle-blowing Policy has been set up to encourage and allow employees to raise concerns about possible improprieties in matters of financial reporting, compliance, and other malpractices at the earliest opportunity. The audit committee has overall responsibility for the policy and has delegated the day-to-day responsibility of overseeing and implementing such policy to the company secretary of the Company. If any employee believes reasonably and in good faith that malpractice exists in the workplace, he/she should report immediately to his/her immediate supervisor within the department. The supervisor should then forward the concerns by email to the company secretary upon receiving reports from employees. If necessary, employees may also take the complaint directly to the chairman of the audit committee. All reports are treated confidentially, and the Group makes every effort to keep the employee's identity confidential.

Anti-Corruption

There are well established lines of authority and responsibility for implementing the Anti-Bribery and Anti-Corruption ("ABAC") Policy within the Group. Every employee has the responsibility to implement, enforce and maintain the ABAC mechanism that adequately address bribery and corruption risks and promote a culture of integrity in the Group. Regular trainings/reminders are provided/sent to the employees.

AUDITOR'S REMUNERATION

There has been no change in the auditors of the Company in any of the preceding 3 years.

During the year ended 31 December 2025, the remuneration for the audit services and non-audit services (including professional services in relation to the proposed transfer of listing application) provided by Grant Thornton Hong Kong Limited the Company's auditor to the Group were as follows:

Type of services	Amount RMB'000
Annual audit service	872
Non-audit services	—
Total	872

CORPORATE GOVERNANCE REPORT

The auditor's remuneration provided by the Company's auditor, are set out in note 9 to the audited consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, etc..

The Directors review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "Comply or Explain" principle in the corporate governance report which is or will be included in the reports of the Company.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy in accordance with the requirement as set out in the CG Code, which is summarised as below:

The Board diversity policy of the Company specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Company discloses the composition of the Board in the corporate governance report every year and the Nomination Committee oversees the implementation of the Board diversity policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

On recommendation from the Nomination and Remuneration Committee, the Board will set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. Nomination and Remuneration Committee will review the Board Diversity Policy at least annually to ensure its continued effectiveness from time to time.

For the year ended 31 December 2025, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's Board Diversity Policy was consistently implemented. As at the date of this annual report, the Board consists of one female and six male Directors. Within 186 employees of the Group as at 31 December 2025, 102 employees were male and 84 employees were female. The Board considers that the gender diversity in respect of the Board and the Group's employees taking into account the business model and specific needs of the Company is satisfactory. The Board targets by the ends of year to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity by the end of 2026. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain an on-going dialogue with the shareholders and in particular, through AGMs or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting.

To solicit and get feedback from shareholders, the Company provides shareholders with channels to express their views on matters affecting the Company including (i) Hong Kong Branch Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, for enquiries on shareholdings; and (ii) Company Secretary of the Company for direct questions, request for publicly available information and provide comments and suggestions. The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the year under review and is effective.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

(a) Significant Changes in the Constitutional Documents

The memorandum of association (the "**Memorandum**") and articles of association (the "**Articles**") of the Company was amended and approved by the shareholders of the Company by way of a special resolution at the AGM of the Company on 31 May 2022, to bring the Memorandum and Articles in line with the latest legal and regulatory requirements under the applicable laws of the Cayman Islands and the relevant GEM Listing Rules (including the Core Shareholder Protection Standards set out in the amended Appendix A1 to the GEM Listing Rules with effect from 1 January 2022) and to make some other house-keeping improvements. For details of the amendments of the Memorandum and Articles, please refer to the announcement of the Company dated 19 April 2022 and the circular of the Company dated 21 April 2022.

The Memorandum and Articles was further amended and approved by the shareholders of the Company by way of a special resolution at the AGM of the Company on 26 June 2024, to bring the Memorandum and the Articles of Association in line with the latest legal and regulatory requirements under the applicable laws of the Cayman Islands and the relevant GEM Listing Rules (including the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers to their securities holders which took effect from 31 December 2023) and make some other house-keeping amendments. For details of the amendments of the Memorandum and Articles, please refer to the circular of the Company dated 24 May 2024.

Except as disclosed above, there has been no other significant change in the constitutional documents of the Company. The Articles are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

(a) Convening an extraordinary general meeting

Pursuant to Articles, extraordinary general meetings shall be convened on the written requisition of 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. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) or any of them representing more than one-half of the total voting rights of all of them 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. Shareholders also have the right to propose a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

(b) Enquiries to the Board

Shareholders may put forward enquiries to the Board to the extent such information is publicly available to the company secretary who is responsible for forwarding communications relating to matters within the Board's purview to the executive Directors of the Company, communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee, and communication relating to ordinary business matters, such as suggestions, enquiries and consumer complaints, to the appropriate management of the Company, in writing to the principal place of business of the Company in Hong Kong.

(c) Putting forward proposals at a general meeting

Shareholders are welcome to put forward proposals relating to the operations and the management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the company secretary by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through publishing Corporate Communications such as annual, interim reports, announcement and circulars. The corporate website of the Company (www.yikwo.cn) has provided an effective communication platform to the public and the shareholders.

DIVIDEND POLICY

Subject to the approval of the shareholders and requirement of the relevant law, the Company shall pay annual dividends to the shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group. The Company's ability to pay dividends will depend upon, among other things, the Group's actual and expected financial performance, retained earnings and distributable reserves, liquidity position, future cash requirements and availability, restriction on payments of dividends that may be imposed by the Group's lenders, the general market conditions and any other factor that the Board may consider appropriate.

Any declaration and payment of future dividends under the Dividend Policy are subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Lui Mei Ka was appointed as the company secretary with effect from 12 April 2024. Ms. Lui is an external service provider whose primary contact person in the Group is Mr. Xu Youjiang, the Chairman and executive Director. Company secretary is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have access to the advice and services of the company secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the company secretary is responsible for facilitating communications among Directors as well as with management.

During the year ended 31 December 2025, the company secretary has undertaken more than 15 hours of relevant professional training under Rule 5.15 of the GEM Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems of the Group. The Group's systems of risk management and internal control include a defined management structure with limits of authority, which is designed to help achieve business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislations and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board is ultimately responsible for the risk management of the Group and it has delegated to Risk Management Committee to carry out the risk identification and monitoring procedures. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

During the Reporting Period, the Board had outsourced its internal audit function to an independent internal audit firm (the "Internal Auditor"). The Internal Auditor reports directly to the Audit Committee once a year on all internal audit matters. The Audit Committee reviewed the internal audit report and would monitor the implementation of the improvements required on internal control weaknesses identified.

Even though the Group does not maintain an internal audit function, the Board has overall responsibility for the risk management and internal control systems and for reviewing its effectiveness. The Audit Committee and the Board would review the risk management and internal control systems once annually. Based on the review of the Group's internal control systems by the Internal Auditor, the Directors were satisfied that effective and adequate internal control measures as appropriate to the Group for the year ended 31 December 2025 were implemented properly and that no significant areas of weaknesses were identified.

INSIDE INFORMATION

With regards to the internal controls and procedures for the handling and dissemination of inside information, the Group complies with under the Part XIVA and relevant parts of the SFO and Listing Rules. To be certain that all the staff members in the Group are aware of the inside information handling, the Group's Inside Information Disclosure Policy sets out guidance and procedures to ensure that the inside information of the Group is disseminated to the public completely, accurately and timely. Besides, the Board is responsible to approve the dissemination of the information. The Group also has reasonable measures regarding keeping the sensitive information confidential and ensuring the confidentiality terms are in place in the significant agreements.

LOOKING FORWARD

The Group will continue to review its corporate governance standards on a timely basis and the Board endeavours to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the CG Code.

REPORT OF THE BOARD OF DIRECTORS

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

CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 December 2018.

The shares of the Company have been listed on GEM of the Stock Exchange by way of share offer since 13 July 2020.

In connection with the listing, the companies comprising the Group underwent a reorganisation (the “**Group Reorganisation**”). Pursuant to the Group Reorganisation, the Company became the holding company of the other members of the Group. Further details of the Group Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” of the Prospectus.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 1 to the audited consolidated financial statements. The principal activities of the Group are predominately the provision of the design and development, manufacturing and sales of disposable plastic food storage containers, and to a lesser extent, sales of daily necessities and other household goods on e-commerce platform and retail shops in the PRC.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2025 are set out in the audited consolidated financial statements on page 65.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2025 is set out in the section headed “Management Discussion and Analysis” on pages 9 to 14 of this report. An analysis of the Group’s performance during the year using financial key performance indicators is set out in the section headed “Management Discussion and Analysis” of this report.

REPORT OF THE BOARD OF DIRECTORS

PROSPECTS

Looking forward, the Directors consider that the Group will continue to be affected by external opportunities and challenges such as the popularity of environmentally friendly disposable plastic food storage containers, advances in production technologies and competition from substitutes, such as disposable food storage containers in the market made of other materials. The Directors are of the view that maintaining product safety and focusing on environmental protection, brand promotion, expansion of sales channels and product customisation remain to be the key drivers for the growth of the disposable plastic storage container business. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen its market position in the industry and expand its market share by the implementation of the Group's business plans.

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. There was 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 Target Company and 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 equipment 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.

During the year ended 31 December 2022, the Group acquired Youpinhui Enterprise, which owned the mobile app and e-commerce platform namely Youpinhui* (優拼匯), and further developed and launched another new e-commerce APP platform Yihe Tianxia* (易和天下), which is an online shopping platform covering daily necessities, beauty and skin care, household appliances, domestic special agricultural products and others. The e-commerce market in the PRC has continued to grow over the past few years. According to the E-commerce in China Report 2020 (中國電子商務報告 2020) issued by the Ministry of Commerce of the PRC, the national online retail sales has increased from approximately RMB5.2 trillion in 2016 to approximately RMB11.8 trillion in 2020, representing a cumulative annual growth rate ("CAGR") of approximately 22.9% during the period. Since the outbreak of COVID-19 in 2020 and the accompanying lock-down measures, businesses have accelerated their digitalisation and offline to online transformation as customers increasingly shifted their purchase from offline to online shopping, and thereby spurred further growth in retail e-commerce market. According to eMarketer (<https://www.emarketer.com/content/china-e-commerce-forecast-2021>), the PRC's retail e-commerce market is expected to continue its growth and reach approximately US\$3.8 trillion (equivalent to approximately RMB24.6 trillion) in 2025. eMarketer, established in 1996, is a subscription-based market research company that provides insights and trends related to digital marketing, media and commerce. As such, the Directors believe Yihe Tianxia* (易和天下) will enable the Group to grasp the growth momentum in the PRC's retail e-commerce market and expand the business scope of the Group, which are beneficial to the long-term development of the Group.

REPORT OF THE BOARD OF DIRECTORS

On 21 January 2025, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with Mr. Wei Guochun (魏國春) in relation to a possible acquisition (the “Possible Acquisition”) of the 30% equity interest in Beijing Zhenpin Information Technology Co. Ltd.* (北京箴品網路科技有限公司) (“Zhenpin Information”) by the Group. Zhenpin Information is the strategic supplier of Beijing Yihe Tianxia Network Technology Co., Ltd.* (北京易和天下網絡科技有限公司), a subsidiary of the Company running the APP platform Yihe Tianxia. According to the information provided by Zhenpin Information, Zhenpin Information is a company incorporated in the PRC on 11 May 2015 with limited liability, and is principally engaged in the wholesales of characteristic agricultural products, daily necessities, beauty and skin care products, household appliances and other products. Zhenpin Information currently cooperates with over 400 brands and provides over 100,000 products. Zhenpin Information has currently 24 community stores in the PRC. The Directors consider that the entering into the MOU is in the interest of the Group and its shareholders as a whole through the Possible Acquisition which is upstream business of the Group, if materialised, are expected to enlarge the income source of the Group and stabilise the supply chain of the Group’s ecommerce segment. As at the date of this report, no legally binding agreement was entered in relation to the MOU. For details of the Possible Acquisition, please refer to the announcement of the Company dated 21 January 2025.

During the year ended 31 December 2025, Yihe Tianxia set up several retail shops in various cities in the PRC to sell daily necessities and other household goods.

FINANCIAL SUMMARY

A financial summary of the published results and of the assets and liabilities of the Group is set out on page 7 to 8 of this report.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group has a preliminary plan to build a new factory and procure new machineries and equipment 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.

Except as disclosed above, the Group did not have any plans for material investments and capital assets during the year ended 31 December 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 14 to the audited consolidated financial statements.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2025.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2025 are set out in note 23 to the audited consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 67 and movement of the Company’s reserves on page 112.

REPORT OF THE BOARD OF DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB48.4 million (2024: RMB50.4 million). Details of the reserves of the Company as at 31 December 2025 are set out in movement of the Company's reserves on page 112.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the listing and during the year ended 31 December 2025, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase, cancel or sell any of such listed securities for the year ended 31 December 2025.

DIRECTORS

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

Executive Directors

Mr. Xu Youjiang
Ms. Xu Liping
Mr. Zhang Yuansheng
Mr. Cheng Congyu (appointed on 6 October 2025)

Independent non-executive Directors

Mr. Chan Chun Hin (appointed on 10 February 2026)
Mr. Yang Jie (appointed on 26 June 2025)
Mr. Zhang Hongbo (appointed on 6 October 2025)
Mr. Chang Eric Jackson (resigned on 10 February 2026)
Mr. Liu Dajin (resigned on 6 October 2025)
Mr. Deng Zhihuang (resigned on 26 June 2025)

Pursuant to article 16.19 of the Articles, at each annual general meeting, at least one-third of the Directors shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date or respective dates of appointment (subject to termination in certain circumstances as stipulated in the relevant service contract), which may be terminated by not less than three month's notice served by either party on the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of three years commencing from the Listing Date or respective dates of appointment (subject to termination in certain circumstances as stipulated in the relevant letter of appointment), which may be terminated by either party giving 1 month notice to the other party. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Same for the directors' fee, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director and a member of any board committees of the Company.

Same as disclosed above, no Director has entered into any service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument of the Directors is recommended by the Remuneration Committee by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities and performance.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the audited consolidated financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 17 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Same as disclosed in this report, none of the Directors or an entity connected with any of them had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, parent company or subsidiaries of the parent company was a party and subsisting at any time during or at the end of the year ended 31 December 2025.

As at 31 December 2024, no contract of significance had been entered into between the Company, or any of its subsidiaries and Mr. Xu and Prize Investment Limited (the "**Controlling Shareholders**") of the Company or any of their subsidiaries.

REPORT OF THE BOARD OF DIRECTORS

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Same as disclosed in this report, at no time during the year ended 31 December 2025 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Report of the Board of Directors) Regulation or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

As at 31 December 2025, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Same as disclosed in the Prospectus, the Directors are not aware of any business and interest of the Directors nor the Controlling Shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2025 and up to the date of this report.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

Mr. Xu Youjiang and Prize Investment Limited ("**Prize**") entered into a deed of non-competition dated 26 June 2020 (the "**Deed of Non-Competition**") in favour of the Company (for itself and each of its subsidiaries), pursuant to which each of the Controlling Shareholders has, unconditionally and irrevocably, undertaken to the Company in the Deed of Non-Competition that she/it will not, and will procure her/its close associates (other than members of the Group) not to, for herself/itself or jointly with or acting for any other person, firm or company as shareholder(s), director(s), partner(s), agent(s), employee(s) or otherwise, and whether or not for profit, remuneration or other purpose, directly or indirectly be involved or engaged in or undertake any business (other than the business of the Group) that directly or indirectly competes, or may compete, with the Group's business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the Controlling Shareholders and/or her/its close associates hold less than 5% of the total issued shares of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of the Group's Controlling Shareholders has undertaken that if any new business investment or other business opportunity relating to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to her/it or any of her/its close associates, she/it shall, and shall procure that her/its close associates shall, refer such Competing Business Opportunity to the Company on a timely basis.

For further details of the Deed of Non-Competition, please refer to the section headed "Relationship with the Controlling Shareholders — Non-competition undertaking and corporate governance measures to manage conflicts of interests" in the Prospectus.

Each of the Controlling Shareholders has confirmed to the Company of her/its compliance with the Deed of Non-Competition during the year ended 31 December 2025 and up to the date of this report. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders during the year ended 31 December 2025 and up to the date of this report.

REPORT OF THE BOARD OF DIRECTORS

DISCLOSURE OF DIRECTORS' INTERESTS

(a) Director's and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2025, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or 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") as (i) 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 the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares	Long/short position	Percentage of shareholding
Mr. Xu Youjiang ("Mr. Xu")	Interest in a controlled corporation ^(Note 1) Beneficial Owner	151,500,000	Long	20.24%
		74,482,760	Long	9.95%
		225,982,760		30.19%
Ms. Xu Liping ("Ms. Xu")	Interest of spouse ^(Note 2)	225,982,760	Long	30.19%

Notes:

- (1) Mr. Xu holds the entire issued share capital of Prize Investment Limited. Accordingly, Mr. Xu is deemed to be interested in the shares held by Prize Investment Limited under the SFO.
- (2) Ms. Xu Liping is the spouse of Mr. Xu and is therefore deemed to be interested in the shares in which Mr. Xu is interested under the SFO.

REPORT OF THE BOARD OF DIRECTORS

(b) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2025, the interests and short positions of the person (other than the Directors or chief executive of the Company) or company in the Shares, underlying Shares and debentures of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding in the Company
Prize Investment Limited	Beneficial owner	151,500,000 ordinary shares	Long	20.24%
Mr. Xu	Beneficial owner	74,482,760 ordinary shares	Long	9.95%
		225,982,760 ordinary shares	Long	30.19%
Merit Winner Limited ("Merit Winner")	Beneficial owner	67,500,000 ordinary shares	Long	9.02%
Mr. Hui Man Kit ("Mr. Hui")	Interest of a controlled corporation ^(Note1)	67,500,000 ordinary shares	Long	9.02%
Ms. Hui Mei Nga	Interest of spouse ^(Note2)	67,500,000 ordinary shares	Long	9.02%
Youpinhui Investment	Beneficial owner	64,000,000 ordinary shares	Long	8.55%
Mr. Hu Kun	Interest of a controlled corporation ^(Note3)	64,000,000 ordinary shares	Long	8.55%

Notes:

1. The entire issued share capital of Merit Winner was held by Mr. Hui. Accordingly, Mr. Hui is deemed to be interested in the Shares held by Merit Winner under the SFO.
2. Ms. Hui Mei Nga is the spouse of Mr. Hui and is therefore deemed to be interested in the Shares in which Mr. Hui is interested under the SFO.
3. The entire issued share capital of Youpinhui Investment was held by Mr. Hu Kun. Accordingly, Mr. Hu Kun is deemed to be interested in the Shares held by Youpinhui Investment under the SFO.

Same as disclosed above, as at the date of this report and so far as is known to the Directors, no person, other than the Directors and chief executive and substantial shareholders of the Company and other persons whose interests are set out in the section "A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short positions in the Shares or underlying shares and/or the debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE BOARD OF DIRECTORS

CONTRACTUAL ARRANGEMENTS

BACKGROUND

Certain businesses currently operated or will be operated by us in the PRC are subject to foreign investment restrictions and licencing requirements. We currently conduct our e-commerce business through Beijing Yihe. For the operation of its e-commerce APP “Yihe Tianxia”, Beijing Yihe currently holds a value-added telecome business license (the permitted business categories include online data processing and transaction processing services (the “**EDI Licence**”) and internet information service business (the “**ICP Licence**”). Due to the foreign ownership restrictions on the entity holding the ICP Licence, we are not allowed to hold more than 50% of the equity interests in Beijing Yihe.

On 28 December 2022, a series of contractual arrangements was entered into by, among others, Beijing Youpinhui, Beijing Yihe and Mr. Cheng Denan (the “**Contractual Arrangements**”).

The agreements underlying the Contractual Arrangements provide a mechanism through which: (a) economic benefits of Beijing Yihe is able to be transferred to us through the Exclusive Operating and Consultancy Services Agreement; and (b) we are able to control Beijing Yihe through the Exclusive Option Agreement, the Equity Pledge Agreement and the Shareholders’ Rights Entrustment Agreement.

Pursuant to this arrangement, all substantial and material business decisions of Beijing Yihe will be instructed and supervised by our Group, through Beijing Youpinhui, and all risks arising from the businesses of Beijing Yihe are also effectively borne by our Group as a result of Beijing Yihe being treated as our controlled subsidiary. Accordingly, our Directors consider that it is fair and reasonable for Beijing Youpinhui to be entitled to all economic benefits generated by the business operated by Beijing Yihe through the Contractual Arrangements as a whole.

PRC LAWS RELATING TO FOREIGN INVESTMENT RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th NPC on 15 March 2019 which came into force on 1 January 2020, the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》)(the “**Negative List**”) and the “Encouraged Industries for Foreign Investment Catalogue” (《鼓勵外商投資產業目錄》), which were promulgated and are amended from time to time jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會). The Negative List and the Foreign Investment Catalogue divide industries into “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encourage”, “restricted” and “prohibited” categories).

BEIJING YIHE

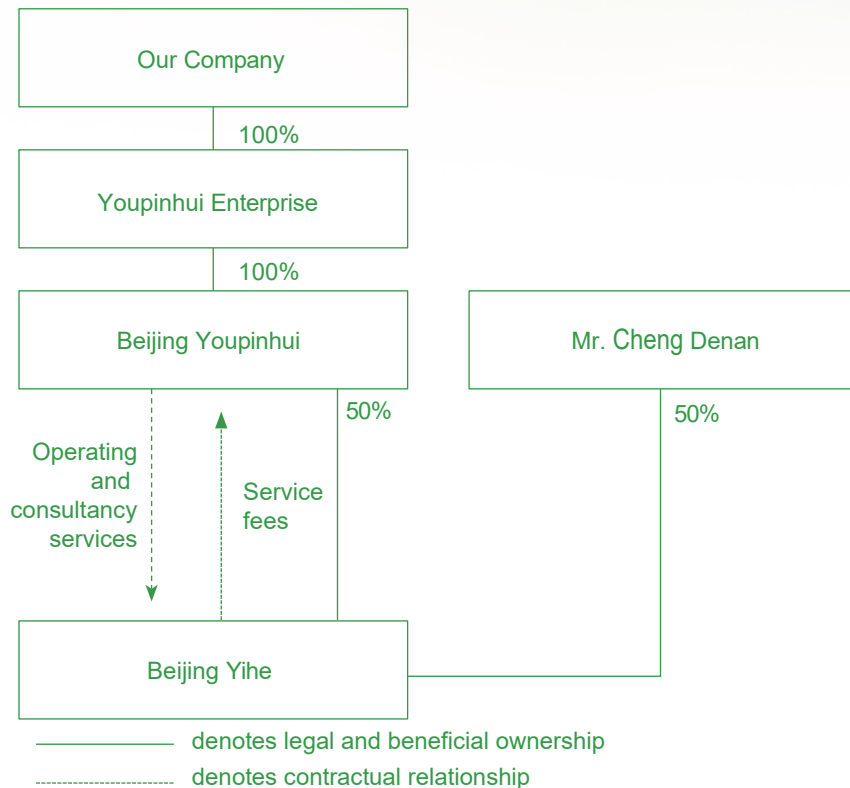
Beijing Yihe principally engages in e-commerce business. After obtaining the ICP Licence, Beijing Yihe is permitted to engage in certain information service business specified in the Classification Catalogue of Telecommunications Business (電信業務分類目錄), which will improve the operation and service of the e-commerce platform.

Based on the above, we believe that to maintain and/or expand the business operations and effectiveness of the licences and permits held by Beijing Yihe, Beijing Yihe must be controlled by our Company through the Contractual Arrangements. Furthermore, since Beijing Yihe currently holds an ICP Licence and is subject to foreign ownership restriction, we are not allowed to hold more than 50% of the equity interests in Beijing Yihe and would therefore need to control the economic benefits of Beijing Yihe through the Contractual Arrangements.

REPORT OF THE BOARD OF DIRECTORS

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Beijing Yihe to our Group under the Contractual Arrangements and the shareholding relationship between our Company and Beijing Yihe as at the date of this annual report:



Summary of the material terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below:

(1) *Exclusive Operating and Consultancy Services Agreement*

Pursuant to the exclusive operating and consultancy services agreement entered into among Beijing Youpinhui, Beijing Yihe and Mr. Cheng Denan (the “**Individual Registered Shareholder**”) dated 28 December 2022 (the “**Exclusive Operating and Consultancy Services Agreement**”), Beijing Youpinhui agreed to provide operating and consultancy services to Beijing Yihe and its subsidiaries (if any) (“**Beijing Yihe Group**”), including but not limited to: (a) allowing Beijing Yihe to use the relevant software legally owned by Beijing Youpinhui; (b) developing, providing maintenance and updating the necessary software required for Beijing Yihe’s business; (c) designing, installing and providing day-to-day management, maintenance and updating of the computer network system, hardware equipment and database; (d) provision of technical support and professional training; (e) assisting Beijing Yihe to conduct market research and collecting market data and technical information; (f) provision of marketing and market development strategies services; (g) provision of supplier and inventory management services; (h) developing and testing of new products; (i) leasing of equipment and assets; (j) internal management; and (k) provision of other relevant services requested by Beijing Yihe from time to time permitted by the applicable PRC laws and regulations.

REPORT OF THE BOARD OF DIRECTORS

In consideration of the operating and consultancy services provided by Beijing Youpinhui, Beijing Yihe agreed to pay Beijing Youpinhui a service fee equivalent to 50% of their respective amount of net profit before tax (after deducting all costs, expenses, taxes, losses (if required) from the previous year) for each financial year.

Beijing Youpinhui has the right to adjust the amount of such service fee by reference to the actual services provided, provided that any adjusted amount shall not exceed the amount as mentioned above.

(2) *Exclusive Option Agreement*

Under the exclusive option agreement entered into among Beijing Youpinhui, Beijing Yihe and the Individual Registered Shareholder dated 28 December 2022 (the “**Exclusive Option Agreement**”), the Individual Registered Shareholder irrevocably agreed to grant Beijing Youpinhui or its designee(s) an exclusive option (a) to purchase all or part of the equity interests in Beijing Yihe held by the Individual Registered Shareholder; and/or (b) to purchase from Beijing Yihe all or part of its assets at any time for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which Beijing Youpinhui or its designee(s) is permitted under the PRC laws and regulations to own all or part of the equity interests in Beijing Yihe. Where the purchase price for the equity interests and/or assets in Beijing Yihe is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Individual Registered Shareholder shall, according to the instruction of Beijing Youpinhui, return the amount of purchase price he has received to Beijing Youpinhui or its designee(s). Save for the Beijing Youpinhui and/or its designee(s), no other third party shall be granted the exclusive option to purchase the equity interests or assets in Beijing Yihe.

We have the sole discretion to decide when to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the applicable foreign investment restrictions in relation to the e-commerce business operated by Beijing Yihe will be removed in the future, the likelihood of which we are not in a position to know or comment on as at the date of this annual report.

In order to prevent the flow of the assets and value of Beijing Yihe to its shareholders, pursuant to the Exclusive Option Agreement, each of the Individual Registered Shareholder and Beijing Yihe has undertaken that, he/it shall not sell, transfer, pledge or otherwise dispose of or procure the management of Beijing Yihe Group to sell, transfer, pledge or otherwise dispose of any of the assets of Beijing Yihe Group without the prior written consent of the Beijing Youpinhui.

In the event that the Individual Registered Shareholder and Beijing Yihe receive any profit distribution or dividend from Beijing Yihe Group, each of the Individual Registered Shareholder and Beijing Yihe undertakes that he/it shall, at the request of the Beijing Youpinhui, pay such amount to the Beijing Youpinhui. If Beijing Youpinhui exercises the option under the Exclusive Option Agreement, all or any part of the equity interests in Beijing Yihe held by the Individual Registered Shareholder would be transferred to the Beijing Youpinhui and the benefits of equity ownership would flow to the Beijing Youpinhui and its shareholders.

REPORT OF THE BOARD OF DIRECTORS

(3) *Equity Pledge Agreement*

Pursuant to the equity pledge agreement entered into among Beijing Youpinhui, Beijing Yihe and the Individual Registered Shareholder dated 28 December 2022 (the “**Equity Pledge Agreement**”), the Individual Registered Shareholder agreed to pledge all his equity interests in Beijing Yihe that he owns to Beijing Youpinhui to guarantee the performance of his obligations and the obligations of Beijing Yihe under the Exclusive Operating and Consultancy Services Agreement, the Exclusive Option Agreement and the shareholders’ rights entrustment agreement entered into among Beijing Youpinhui, Beijing Yihe and the Individual Registered Shareholder dated 28 December 2022 (the “**Shareholders’ Rights Entrustment Agreement**”).

Each of the Individual Registered Shareholder and Beijing Yihe has agreed that, without prior written consent of Beijing Youpinhui, they will not transfer or dispose of any or all of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Beijing Youpinhui’s interest.

Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

- (a) the committing of any breach of his/its obligations under the Exclusive Operating and Consultancy Services Agreement, the Exclusive Option Agreement or the Shareholders’ Rights Entrustment Agreement by the Individual Registered Shareholder or Beijing Yihe Group;
- (b) any representations or warranties provided by the Individual Registered Shareholder or Beijing Yihe under the Equity Pledge Agreement being incorrect or misleading;
- (c) the committing of any breach of undertakings or any other terms under the Equity Pledge Agreement by the Individual Registered Shareholder or Beijing Yihe;
- (d) the transferring or disposal of the Individual Registered Shareholder’s pledged equity interests in Beijing Yihe without the prior written consent of the Beijing Youpinhui;
- (e) the committing of any breach or delay in repayment of any loan, guarantee, debt or undertaking by the Individual Registered Shareholder;
- (f) Beijing Yihe or its subsidiaries (if any) being unable to repay its debt;
- (g) save for the occurrence of any force majeure event, the Equity Pledge Agreement becoming invalid or incapable of performance by the Individual Registered Shareholder;
- (h) any material adverse change to the financial conditions of the Individual Registered Shareholder affecting his ability to perform his obligations under the Equity Pledge Agreement; or
- (i) the successors of Beijing Yihe Group only paying part of the service fees or refusing to pay any service fees under the Exclusive Operating and Consultancy Services Agreement.

REPORT OF THE BOARD OF DIRECTORS

Upon the occurrence of an event of default as described above, Beijing Youpinhui shall have the right to enforce the Equity Pledge Agreement by written notice to the Individual Registered Shareholder or Beijing Yihe Group, upon which the Beijing Youpinhui shall be entitled to sell all or part of the pledged equity interests held by the Individual Registered Shareholder by way of auction or at a discount and have priority in the entitlement to the sales proceeds.

(4) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, the Individual Registered Shareholder has unconditionally and irrevocably authorised and entrusted Beijing Youpinhui or its designee to exercise all of his shareholder voting rights and any other rights as a shareholder of Beijing Yihe to the extent permitted by the PRC laws and regulations as well as the articles of association of Beijing Yihe. These rights include, but are not limited to: (a) the right to sell, transfer, pledge or dispose of all or part of (i) the equity interests in Beijing Yihe held by the Individual Registered Shareholder; and (ii) the assets in Beijing Yihe to which the Individual Registered Shareholder is entitled to; (b) the right to convene and attend shareholders' meetings of Beijing Yihe; (c) the right to appoint legal representatives, directors, supervisors, managers or other senior management of Beijing Yihe; (d) the right to review and approve Beijing Yihe's profit distribution plan and loss recovery plan; (e) the right to pass a resolution for the merger, division, liquidation or change in corporate form of Beijing Yihe; (f) the right to receive the remaining assets of Beijing Yihe in the event of dissolution or winding up; (g) the right to sign all shareholders' resolutions and other legal documents which the Individual Registered Shareholder has authority to sign in his capacity as shareholder of Beijing Yihe; (h) the right to handle the legal procedures of registration of documents of Beijing Yihe at the relevant government regulatory departments; (i) the right to determine the business policy and investment plan of Beijing Yihe; and (j) the right to amend the articles of association of Beijing Yihe and other applicable shareholders' rights.

(5) Individual Shareholder Spouse Undertaking

Pursuant to the spouse undertakings dated 28 December 2022 signed by Ms. Zhu Wenhua (朱文華女士) ("**Ms. Zhu**"), the spouse of the Individual Registered Shareholder (the "**Individual Shareholder Spouse Undertaking**"), Ms. Zhu has unconditionally and irrevocably undertaken that: (a) the equity interests held by the Individual Registered Shareholder do not form part of the matrimonial property and she does not have any interest in such equity interests; (b) she will not take any action with the intent to interfere with the Contractual Arrangements; and (c) if she receives any of the equity interests in Beijing Yihe from the Individual Registered Shareholder for whatever reason, she will be bound by the terms of the Contractual Arrangements as amended from time to time, and at the request of the Beijing Youpinhui, she will enter into a new set of contractual arrangements in the form and substance similar to the existing Contractual Arrangements.

DISPUTE RESOLUTION

Each of the agreements under the Contractual Arrangements contains a dispute resolution clause pursuant to which (a) in the event of any dispute arising under or in connection with the Contractual Arrangements, the parties thereto shall negotiate to settle the dispute; and (b) in the event of the parties failing to reach an agreement, the relevant dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. Any party shall have the right to apply to courts with competent jurisdiction for enforcement of arbitration awards after the relevant arbitration award comes into effect.

REPORT OF THE BOARD OF DIRECTORS

The dispute resolution clause also provides that: (i) the China International Economic and Trade Arbitration Commission may award remedies over the shares or assets of Beijing Yihe, injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the dissolution or winding-up of Beijing Yihe Group; and(ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of Beijing Yihe Group and the place where their main assets are located) also have jurisdiction to grant interim remedies and/or enforce an arbitral award or interim remedies against the shares or assets of Beijing Yihe Group.

LOSS SHARING

None of the agreements constituting the Contractual Arrangements provided that our Company or Beijing Youpinhui is obligated to share the losses of Beijing Yihe. Under the relevant PRC laws and regulations, neither our Company or Beijing Youpinhui is legally required to share the losses of, or provide financial support to, Beijing Yihe. Furthermore, Beijing Yihe is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Despite the foregoing, given that Beijing Yihe's financial condition and results of operations are consolidated into our Company's combined financial statements under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if Beijing Yihe suffers losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on Beijing Youpinhui and our Company resulting from any loss suffered by Beijing Yihe.

For instance, as provided in the Exclusive Option Agreement, each of the Individual Registered Shareholder and Beijing Yihe has undertaken that, without the prior written consent of Beijing Youpinhui, he/it shall not, among others: (a) sell, transfer, pledge or dispose of in any manner any of the equity interests in any member of Beijing Yihe Group;(b) sell, transfer, pledge or otherwise dispose of or procure the management of Beijing Yihe Group to sell, transfer, pledge or otherwise dispose of any of the assets of Beijing Yihe Group; and (c) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

In the event that PRC laws and regulations allow Beijing Youpinhui or us to directly hold all or part of the equity interests in Beijing Yihe Group, and operate relevant e-commerce business in the PRC, Beijing Youpinhui shall exercise the option under the Exclusive Option Agreement as soon as practicable and Beijing Youpinhui or its designee(s) shall purchase such amount of equity interests to the extent permissible under PRC laws and regulations, and upon exercise in full of the option and the acquisition of all the equity interests in Beijing Yihe Group by Beijing Youpinhui or other designee(s) by our Company pursuant to the terms of the Exclusive Option Agreement, each of the Contractual Arrangements shall be automatically terminated. Beijing Youpinhui shall have the right to terminate the Contractual Arrangements by serving a 15-day prior written notice. The Individual Registered Shareholder shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

REPORT OF THE BOARD OF DIRECTORS

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE INDIVIDUAL REGISTERED SHAREHOLDER

Pursuant to the Individual Shareholder Spouse Undertaking, Ms. Zhu has unconditionally and irrevocably undertaken, among others, to execute all necessary documents and perform all necessary procedures from time to time in order to give effect to the Contractual Arrangements. Ms. Zhu has also undertaken that (i) she will not take any action with the intent to interfere with the Contractual Arrangements; and (ii) if she receives any of the equity interests in Beijing Yihe from the Individual Registered Shareholder for whatever reason, she will be bound by the terms of the Contractual Arrangements as amended from time to time, and at the request of Beijing Youpinhui, she will enter into a new set of contractual arrangements in the form and substance similar to the existing Contractual Arrangements.

In addition, pursuant to each of the agreements under the Contractual Arrangements, the Individual Registered Shareholder has undertaken to Beijing Youpinhui that, in the event of the Individual Registered Shareholder's death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of its direct or indirect equity interests in Beijing Yihe, the successor of the Individual Registered Shareholder will inherit any of the rights and obligations of the Individual Registered Shareholder under the Contractual Arrangements. Unless with the prior consent of Beijing Youpinhui, a will, divorce agreement, debt settlement agreement or any other form of legal documents shall not prejudice or hinder the enforcement of the Contractual Arrangements.

LIQUIDATION

Pursuant to the Exclusive Operating and Consultancy Services Agreement, each of Beijing Yihe and the Individual Registered Shareholder has undertaken that, in the event of dissolution or liquidation of Beijing Yihe Group, (i) Beijing Yihe and the Individual Registered Shareholder shall to the extent permitted by the PRC laws form a liquidation committee with members appointed by the WOFE to manage the assets of Beijing Yihe; (ii) Beijing Yihe Group shall transfer all of the assets received as a result of the dissolution or liquidation directly to Beijing Youpinhui and/or its designee for the minimum amount of consideration permitted by the applicable PRC laws and regulations; and (iii) the liquidation committee shall have the right to dispose of the remaining assets of Beijing Yihe Group. Furthermore, in the event that Beijing Youpinhui and/or its designee is not able to purchase the remaining assets of Beijing Yihe Group at nil consideration, the Individual Registered Shareholder and Beijing Yihe shall return the proceeds they received from the dissolution and liquidation to Beijing Youpinhui and/or its designee.

INSURANCE

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

SUCCESSION

The provisions set out in the Contractual Arrangements are also binding on the successors of the parties to the Contractual Arrangements, as if each of the successors was a signing party to the Contractual Arrangements. Although the agreements underlying the Contractual Arrangements do not specify the identity of the successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements.

REPORT OF THE BOARD OF DIRECTORS

In case of a breach, Beijing Youpinhui or our Company can enforce its right against the successors. Furthermore, pursuant to the Contractual Arrangements, in the event of death or any other event which causes the inability of the Individual Registered Shareholder to perform his obligations under the Contractual Arrangements, the successor of the Individual Registered Shareholder will inherit any of his rights and obligations under the Contractual Arrangements.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

To ensure our effective control over Beijing Yihe Group, we have implemented measures to protect against the potential conflicts of interest between our Company and the Individual Registered Shareholder. Under the Exclusive Option Agreement, the Individual Registered Shareholder irrevocably agreed to grant Beijing Youpinhui or its designee(s) an exclusive option (a) to purchase all or part of the equity interests in Beijing Yihe held by the Individual Registered Shareholder; and/or (b) to purchase from Beijing Yihe all or part of its assets at any time for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which Beijing Youpinhui or its designee(s) is permitted under the PRC laws and regulations to own all or part of the equity interests in Beijing Yihe.

Furthermore, under the Shareholders' Rights Entrustment Agreement, the Individual Registered Shareholder has unconditionally and irrevocably authorised and entrusted Beijing Youpinhui or its designee(s) to exercise all of his shareholder voting rights and any other rights as a shareholder of Beijing Yihe to the extent permitted by PRC laws and the articles of association of Beijing Yihe.

OUR CONFIRMATION

Our Directors confirm that, as at the date of this annual report, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Beijing Yihe under the Contractual Arrangements.

Directors' views on the Contractual Arrangements

Our Directors considered that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of Beijing Yihe holding a value-add telecommunications business permit for internet information service which are subject to foreign investment restriction in accordance with applicable PRC laws and regulations. Furthermore, the Proposed Change in VIE Structure would enable Beijing Youpinhui to hold the maximum permitted interest in Beijing Yihe under foreign ownership restrictions in the PRC. Hence, our Directors considered that the Contractual Arrangements are narrowly tailored.

CONSOLIDATION OF FINANCIAL RESULTS OF BEIJING YIHE

Under the Exclusive Operating and Consultancy Services Agreement, it was agreed that, in consideration of the operating and consultancy services provided by Beijing Youpinhui, Beijing Yihe Group shall pay Beijing Youpinhui a service fee equal to 50% of their respective amount of net profit before tax (after deducting all costs, expenses, taxes, losses (if required) from the previous year) for each financial year. Beijing Youpinhui has the right to adjust the amount of such service fee by reference to the actual services provided, provided that any adjusted amount shall not exceed the amount mentioned above. Accordingly, Beijing Youpinhui has the ability, at its sole discretion, to extract substantially all of the economic benefit of Beijing Yihe Group through the Exclusive Operating and Consultancy Agreement.

REPORT OF THE BOARD OF DIRECTORS

In addition, under the Exclusive Operating and Consultancy Agreement, Beijing Youpinhui has absolute contractual control over the distribution of dividends or any other amounts by Beijing Yihe Group to their respective shareholders as the Beijing Youpinhui's prior written consent is required before any distribution can be made.

Furthermore, under the Exclusive Option Agreement, in the event that the Individual Registered Shareholder and Beijing Yihe receive any profit distribution or dividend from Beijing Yihe Group, each of the Individual Registered Shareholder and Beijing Yihe undertakes that he/it shall, at the request of Beijing Youpinhui, remit such amount to Beijing Youpinhui.

As a result of these Contractual Arrangements, our Company has obtained control of Beijing Yihe Group through Beijing Youpinhui and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by Beijing Yihe Group. Accordingly, the results of operations, assets and liabilities, and cash flows of Beijing Yihe Group are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of Beijing Yihe Group into our Group's financial information as if they were our Company's subsidiaries.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On 15 March 2019, the National People's Congress approved the Foreign Investment Law which became effective on 1 January 2020. On 26 December 2019, the State Council of the PRC (中華人民共和國國務院) ("**State Council**") promulgated the Regulations on the Implementation of the Foreign Investment Law, which came into effect on 1 January 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC based companies, including our Group. We use the Contractual Arrangements to establish control of Beijing Yihe, by Beijing Youpinhui, through which we operate our e-commerce business in the PRC. The Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods." There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled.

Therefore, there is no guarantee that the Contractual Arrangements and the business of Beijing Yihe will not be materially and adversely affected in the future due to changes in PRC laws and regulations.

REPORT OF THE BOARD OF DIRECTORS

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government deems that the Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of the ICP Licence, which is an important licence for our “Yihe Tianxia” e-commerce app platform. To comply with PRC laws and regulations, we conduct our e-commerce business through Beijing Yihe based on the Contractual Arrangements. Through our shareholdings and the Contractual Arrangements, our Company acquired effective control over Beijing Yihe and, at our Company’s sole discretion, can receive all of the economic benefits generated by Beijing Yihe.

However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. For example, courts of the PRC may invalidate certain contractual agreements if they are considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the Civil Code of the People’s Republic of China (《中華人民共和國民法典》). In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. Accordingly, there can be no assurance that the PRC Government will ultimately take a view that the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto.

If our ownership structure, Contractual Arrangements or the business of Beijing Yihe are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including but not limited to:

- revoking the Contractual Arrangements;
- revoking the business and operating licences held by Beijing Yihe, including but not limited to the ICP licence;
- levying fines on us and/or confiscating income of our Company or Beijing Yihe;
- discontinuing or imposing restrictions on our operations in respect of our e-commerce business;
- requiring us to restructure our operations which in effect compels us to undergo a disruptive and costly corporate restructuring;
- taking such other regulatory or enforcement actions as they see fit, which could be harmful to our business.

Any of these actions could cause significant disruption to the operations of our e-commerce business and could result in delays or failure to receive some, if not all, of the economic benefits from Beijing Yihe. This may in turn materially and adversely affect our business, financial condition and results of operations. Furthermore, the equity interest of Beijing Yihe held by Beijing Youpinhui may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that Beijing Youpinhui. We cannot assure you that such equity interest will be disposed of in accordance with the Contractual Arrangements.

REPORT OF THE BOARD OF DIRECTORS

The Contractual Arrangements may not be as effective in providing operational control as direct ownership and Beijing Yihe and the Individual Registered Shareholder may fail to perform their obligations under our Contractual Arrangements.

We operate our e-commerce business through Beijing Yihe based on the Contractual Arrangements, which we rely on to obtain control and operate the “Yihe Tianxia” platform. These Contractual Arrangements may not be as effective in providing us with control over Beijing Yihe as direct ownership. Direct ownership would allow us to, among other things, directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of Beijing Yihe, which in turn could effect changes at the management level subject to any applicable fiduciary obligations.

If Beijing Yihe fails to perform its obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights under PRC laws by way of arbitration or litigation in PRC. Our ability to seek remedies including specific performance, injunctive relief and damages under the Contractual Arrangements and enforce such rights under PRC laws could be limited, given the significant uncertainties regarding the interpretation and application of current or future PRC laws and regulations in relation to the Contractual Arrangements. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the enforcement of the Contractual Arrangements, we may not be able to exert effective control over Beijing Yihe and may lose control over its assets. As a result, we may be unable to consolidate Beijing Yihe, which may materially and adversely impact our financial condition and results of operations.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed.

Under the applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities. If the PRC tax authorities were to determine that transactions under the Contractual Arrangements were not conducted on an arm's length basis as the PRC tax authorities have the authority to make transfer pricing adjustments on the tax position of Beijing Yihe, in effect imposing additional taxes and interest on us. Such adjustments may adversely affect us by increasing the tax expenses of Beijing Yihe without reducing the tax expenses of Beijing Youpinhui or subjecting Beijing Yihe to late payment fees or penalties for under-payment of taxes.

The Individual Registered Shareholder may have conflict of interest with us, and may cause Beijing Yihe to act in a manner contrary to our interests.

The Individual Registered Shareholder may potentially have a conflict of interest with us, and may breach the Contractual Arrangements in order to further his own interest or if he otherwise acts in bad faith. There is no assurance that when conflicts of interest arise between us and Beijing Yihe, the Individual Registered Shareholder will act in our interests or that such conflicts of interest will be resolved in our favour.

In addition, the Individual Registered Shareholder may breach or cause Beijing Yihe to breach the Contractual Arrangements. If Beijing Yihe or the Individual Registered Shareholder breach the Contractual Arrangements or otherwise have disputes with us, we may be required to initiate legal proceedings which involve significant uncertainty. Such disputes and proceedings may adversely affect our business operations, ability to control Beijing Yihe or otherwise result in negative publicity. There can be no assurance that the outcome of any such dispute or proceeding will be in our favour.

REPORT OF THE BOARD OF DIRECTORS

If we exercise the option to acquire equity ownership and assets of Beijing Yihe, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Beijing Youpinhui or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Beijing Yihe from the Individual Registered Shareholder at nominal consideration. The equity transfer may be subject to the approvals from and filings with the competent governmental authorities in the PRC and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The Individual Registered Shareholder will pay the equity transfer price he receives to Beijing Yihe under the Contractual Arrangements. The amount to be received by Beijing Yihe may also be subject to Enterprise Income Tax in the PRC, which may imply substantial tax liability on the part of Beijing Yihe.

Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, its implementation regulations and how they may impact the viability of our current corporate structure, business, financial condition and results of operations.

On 1 January 2020, the Foreign Investment Law came into effect. The Foreign Investment Law (《外商投資法》) replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organisations (“**Foreign Investor(s)**”) and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor; (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor; and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licences and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates four forms of investment activity as foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that “investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.” Therefore, there is the possibility that future laws, administrative regulations or provisions of the State Council may stipulate certain contractual arrangements to be a means of foreign investment, which may affect whether our contractual arrangements will be recognised as foreign investment, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements, and therefore how our contractual arrangements will be handled are uncertain.

REPORT OF THE BOARD OF DIRECTORS

In an extreme scenario, we may be required to unwind the Contractual Arrangements and/or dispose of Beijing Yihe, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that we no longer have a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal or in the event such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the listing of our Shares or even result in the delisting of our Company.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

The Foreign Investment Law was approved by the National People's Congress of the PRC on 15 March 2019 and effected on 1 January 2020. As aforementioned, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the help of the Company's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the Foreign Investment Law on the Contractual Arrangements and the business operation of the Group.

In case there would be material and adverse effect on the Group arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal opinion and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports;
- (d) our Company will disclose, as soon as reasonably practicable (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the updates of changes in Foreign Investment Law as implemented, specific measures taken by us to fully comply with the changes in Foreign Investment Law supported by a PRC legal opinion and any material impact on our operations and financial position; and
- (e) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing Youpinhui and Beijing Yihe to deal with specific issues or matters arising from the Contractual Arrangements.

REPORT OF THE BOARD OF DIRECTORS

ANNUAL REVIEW

The Directors, including the Independent Non-executive Directors, have reviewed each of the Contractual Arrangements set out above and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Non-executive Directors have also reviewed and confirmed that:

1. the transactions carried out during the year ended 31 December 2025 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the PRC Contractual Entities has been mainly retained by the Group;
2. no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and
3. there was no new contract relating to the Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC Contractual Entities during the year ended 31 December 2025.

Revenue, net loss and total assets subject to the structured contracts under the Contractual Arrangements

Pursuant to the Exclusive Operating and Consultancy Services Agreement, in consideration of operating and consultancy services provided by Beijing Youpinhui to Beijing Yihe Group, Beijing Yihe Group agreed to pay Beijing Youpinhui a service fee equivalent to 50% of their respective amount of net profit before tax (after deducting all costs, expenses, taxes, losses (if required) from the previous year) for each financial year.

The revenue and net loss of Beijing Yihe subject to the Contractual Arrangements amounted to approximately RMB11.6 million and RMB2.6 million for the year ended 31 December 2025, respectively. The total assets and total liabilities of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB6.9 million and RMB11.3 million as at 31 December 2025, respectively.

Material change in relation to the Contractual Arrangements

Reference is made to the announcement of the Company dated 31 March 2023 in relation to the proposed change in the VIE structure. In order for Beijing Youpinhui to hold the maximum permitted interest in Beijing Yihe under foreign ownership restrictions in the PRC, it was proposed that the shareholding structure of Beijing Yihe to be changed to 50% being held by Beijing Youpinhui and 50% being held by Individual Registered Shareholder upon which the VIE structure will continue to be in place to enable Beijing Youpinhui to control 100% of the beneficial interest of Beijing Yihe. The change of the VIE Structure was completed on 11 May 2023.

Except as disclosed above, there is no other material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2025.

REPORT OF THE BOARD OF DIRECTORS

EQUITY-LINKED AGREEMENTS

The Group did not enter into any equity-linked agreements during the year ended 31 December 2025 or subsisted at the end of the year.

DEBENTURES

The Company did not issue any debentures during the year ended 31 December 2025.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year ended 31 December 2025, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the year ended 31 December 2025 attributable to the Group's major customers and the percentage of purchases for the year ended 31 December 2025 attributable to the Group's major suppliers were as follows:

- (1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 36.0% (2024: 28.7%) of the Group's revenue. The amount of revenue from the Group's largest customer represented approximately 7.5% (2024: 7.7%) of the Group's total revenue.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 66.5% (2024: 67.8%) of the Group's purchases. The amount of purchases from the Group's largest supplier represented approximately 16.5% (2024: 17.1%) of the Group's total purchases.

None of the Directors nor any of their close associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2025.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2025 are set out in note 26 to the consolidated financial statements.

Same as aforesaid, none of the related party transactions set out in note 26 to the consolidated financial statements constitute a "connected transaction" or "continuing connected transaction" subject to independent shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules because either (i) the transaction was an oneoff transaction which took place before the Listing; or (ii) the transaction was continuous in nature but had been discontinued before the Listing.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly.

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 18 to 33 of this report.

REPORT OF THE BOARD OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive or similar rights under the laws of Caymans Islands or the Articles which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance, every Director is entitled under the Company's Articles to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses 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 he or she shall incur or sustain through their own fraud or dishonesty.

The Company has maintained a directors and officers liability insurance during the year ended 31 December 2025. To the extent as permitted by the Companies Ordinance, a directors' liability insurance is currently in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 186 employees (2024: 203 employees). The staff costs, including Directors' emoluments, of the Group were approximately RMB23.9 million for the year ended 31 December 2025 (2024: approximately RMB24.8 million). Remuneration is determined with reference to market terms and in accordance with the performance, qualification(s) and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all the Group's employees. The Group does not have any share scheme and training scheme to employees.

EVENTS AFTER THE REPORTING PERIOD

The Group did not make any other subsequent events occurred after 31 December 2025, which may have a significant effect on the assets and liabilities of future operation of the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended 31 December 2025, there were no material and significant disputes between the Group and its employees, customers and suppliers.

The Group recognises employees as one of its valuable assets and strictly complies with the labour laws and regulations and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance. The Group provides good quality services to its customers and keeps a database for direct communications with recurring customers for developing a long-term trusted relationship. The Group also maintains effective communication and develops a long-term business relationship with its suppliers.

REPORT OF THE BOARD OF DIRECTORS

AUDITOR

The consolidated financial statements of the Group for the year have been audited by Grant Thornton Hong Kong Limited who shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company.

By order of the Board
Yik Wo International Holdings Limited

Mr. Xu Youjiang
Chairman

30 March 2026

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Yik Wo International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yik Wo International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 65 to 120, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), as applicable to audits of financial statements of public interest entities. We have 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected Credit Losses (“ECL”) Assessment of Trade Receivables

Refer to the summary of material accounting policies in note 2.7, note 19 and note 28.2 to the consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
At 31 December 2025, the carrying amount of the Group's trade receivables amounted to approximately RMB29,200,000 net of nil ECL allowance. The ECL assessment of trade receivables involved significant management's judgment and use of estimates to ascertain the recoverability of trade receivables. ECL allowance for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We have identified the ECL assessment of trade receivables as a key audit matter because the assessment involves significant management's judgment and use of estimates.	Our procedures in relation to ECL assessment of the trade receivables included the following: • Obtained the Group's policies on credit policy given to customers and an understanding of how the management assesses the impairment of trade receivables under the ECL model; • Tested, on a sample basis, the ageing analysis of the trade receivables by comparing with the relevant sales invoices; • Assessed the reasonableness of management's ECL allowance estimates by examining the information used by management to form such judgements, on a sample basis, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information, and assessed whether there was an indication of management bias when recognising ECL allowance; and • Involved the valuation specialist to assess the ECL and compared to the management's estimation.

Valuation of Inventories

Refer to the summary of material accounting policies in note 2.9 and note 18 to the consolidated financial statements.

Key Audit Matter

How the matter was addressed in our audit

At 31 December 2025, the Group had inventories of approximately RMB5,022,000 net of nil provisions. The directors make significant judgements regarding the value of inventory provisions for slow-moving and obsolescence.

In arriving at the net realisable value of inventories, estimation and management judgement, including historical ageing statistics and price of future sales of inventories, were exercised.

We have identified valuation of inventories as a key matter to our audit because the calculations are subject to significant judgements of management.

Our procedures in relation to assessing the appropriateness of the valuation of the inventories included the following:

- Obtained an understanding of how the management identifies the slow-moving and obsolete inventories and assessed the amount of allowance for inventories;
- Tested, on a sample basis, the ageing of inventories;
- Tested, on a sample basis, the costs expected to incur to bring the raw materials into finished goods and compared to historical data;
- Compared, on a sample basis, the volume and selling price of subsequent sales to quantity and cost of inventories at reporting period end; and
- Evaluated, on a sample basis, the sufficiency of allowance where the estimated net realisable value is lower than the cost.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2025 annual report of the Company, 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report 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.

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

As part of an audit in accordance with HKSAAs, 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.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor,

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

30 March 2026

Shaw Chi Kit

Practising Certificate No.: P04834

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	6	178,179	309,830
Costs of sales		(133,675)	(218,900)
Gross profit		44,504	90,930
Other income	7	1,285	1,318
Selling expenses		(10,576)	(17,277)
Administrative and other operating expenses		(33,390)	(25,572)
Change in fair value of financial assets at fair value through profit or loss	16	(5,416)	(4,209)
Impairment loss on intangible assets and property, plant and equipment		(1,035)	(3,962)
(Loss)/profit from operations		(4,628)	41,228
Finance costs	8	(186)	(256)
(Loss)/profit before income tax	9	(4,814)	40,972
Income tax expense	10	(1,959)	(13,758)
(Loss)/profit for the year		(6,773)	27,214
Other comprehensive income, net of tax: <i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation recognised		1,798	52
Total comprehensive (expenses)/income for the year		(4,975)	27,266
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	13	(RMB0.90 cents)	RMB3.64 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	40,172	39,244
Intangible assets	15	1,576	3,703
		41,748	42,947
Current assets			
Financial assets at fair value through profit or loss	16	15,000	20,416
Inventories	18	5,022	9,106
Tax recoverable		163	—
Trade and other receivables	19	31,709	60,635
Cash and cash equivalents	20	210,959	206,143
		262,853	296,300
Current liabilities			
Trade and other payables	21	15,564	43,155
Income tax payable		—	3,406
Lease liabilities	22	2,284	2,032
		17,848	48,593
Net current assets		245,005	247,707
Total assets less current liabilities		286,753	290,654
Non-current liability			
Lease liabilities	22	3,283	2,209
Net assets		283,470	288,445
EQUITY			
Share capital	23	6,667	6,667
Reserves	24	276,803	281,778
Total Equity		283,470	288,445

Xu Youjiang
Director

Zhang Yuansheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 24) (note (i))	Other reserve RMB'000 (Note 24) (note (i))	Translation reserve RMB'000 (Note 24) (note (i))	Retained profits RMB'000 (note (i))	Total RMB'000
As at 1 January 2024	6,667	83,348	26,091	(408)	145,481	261,179
Profit for the year	—	—	—	—	27,214	27,214
Other comprehensive income						
– Exchange differences on translation of foreign operation recognised	—	—	—	52	—	52
Total comprehensive income for the year	—	—	—	52	27,214	27,266
As at 31 December 2024 and 1 January 2025	6,667	83,348	26,091	(356)	172,695	288,445
Loss for the year	—	—	—	—	(6,773)	(6,773)
Other comprehensive income						
– Exchange differences on translation of foreign operation recognised	—	—	—	1,798	—	1,798
Total comprehensive expenses for the year	—	—	—	1,798	(6,773)	(4,975)
As at 31 December 2025	6,667	83,348	26,091	1,442	165,922	283,470

Note:

- (i) Total amount of RMB276,803,000 as at 31 December 2025 (2024: RMB281,778,000) represents the amount of reserves as presented in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(4,814)	40,972
Adjustments for:			
Depreciation of property, plant and equipment		12,228	13,132
Change in fair value of financial assets at fair value through profit or loss		5,416	4,209
Impairment loss on intangible assets and property, plant and equipment		1,035	3,962
Amortisation of intangible assets		1,452	2,610
Loss on disposal of property, plant and equipment		1,183	270
Interest income		(1,254)	(1,316)
Interest expense for lease arrangements		186	256
Operating cash flows before working capital changes		15,432	64,095
Decrease/(Increase) in inventories		4,084	(457)
Decrease/(Increase) in trade and other receivables		30,740	(530)
(Decrease)/Increase in trade and other payables		(27,591)	1,365
Cash generated from operations		22,665	64,473
Interest paid		(186)	(256)
Income taxes paid		(5,528)	(14,782)
<i>Net cash generated from operating activities</i>		16,951	49,435
Cash flows from investing activities			
Interest received		1,254	1,316
Purchase of property, plant and equipment		(12,071)	(7,766)
Proceeds from disposal of property, plant and equipment		1,550	58
<i>Net cash used in investing activities</i>		(9,267)	(6,392)
Cash flows from financing activity			
Payment of lease liabilities		(2,866)	(2,204)
<i>Net cash used in financing activity</i>		(2,866)	(2,204)
Net increase in cash and cash equivalents		4,818	40,839
Cash and cash equivalents at the beginning of the year		206,143	165,252
Effect of foreign exchange rate changes		(2)	52
Cash and cash equivalents at the end of the year	20	210,959	206,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yik Wo International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated as an exempted company in the Cayman Islands on 13 December 2018 with limited liability. The addresses of the Company’s registered office and principal place of business are PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, People’s Republic of China (the “**PRC**”), respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers and the sales of daily necessities and other household goods on e-commerce platform and retail shops in the PRC.

These consolidated financial statements for the year ended 31 December 2025 were approved for issue by the board of directors on 30 March 2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which collective term includes all applicable individual HKFRS accounting standards, Hong Kong Accounting Standards and Interpretations (“**HKFRS Accounting Standards**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRS Accounting Standards and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets at fair value through profit or loss (“**FVTPL**”) which are measured at fair values. The measurement basis are fully described in the accounting policies below. The consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousands (“**RMB’000**”), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes directly attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

Items included in the financial statements of each of the Group's entity are measured using the currency that best reflects the economic substance of the underlying events and circumstance relevant to the entity (the **"functional currency"**). The consolidated financial statements are presented in RMB, which is the presentation currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 (i.e. only translated using the exchange rate at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in translation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress as described below and cost of right-of-use assets as described in note 2.11, are initially recognised at acquisition cost or manufacturing cost, including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful life, using the straight-line method, at the following rates per annum.

Buildings	Over the lease term
Plant and machineries	10 to 33.33%
Mould	33.33%
Furniture and equipment	20 to 33.33%
Leasehold improvement	10 to 20% or over its lease terms, whichever is shorter

Estimate of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Construction in progress represents mould under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.5 Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives of 5 years. Amortisation commences when the intangible assets are available for use.

Intangible assets with indefinite useful lives are carried at cost less any subsequent impairment losses. The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.8.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.6 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- fair value through other comprehensive income (“FVOCI”).

The classification is determined by both:

- the entity’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or finance cost, except for ECL of trade receivables which is presented within administrative and other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.6 Financial instruments *(continued)*

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Valuation techniques to measure the fair value of financial instruments that are not traded in an active market are set out in note 28.4. Differences may arise between the fair value at initial recognition (which, in accordance with HKFRS 13 and HKFRS 9, is normally the transaction price) and the amount determined at initial recognition using the valuation technique. Any such differences are recognised on the consolidated statement of financial position and will be transferred to consolidated statement of profit or loss and other comprehensive income upon realisation.

Classification and measurement of financial liabilities

The Group's financial liabilities include leases liabilities and trade and other payables.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.6 Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs or other income.

Accounting policies of lease liabilities are set out in note 2.11.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.7 Impairment of financial assets

Recognition and derecognition

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables, loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Impairment of financial assets *(continued)*

Recognition and derecognition *(continued)*

Trade receivables *(continued)*

Other financial assets measured at amortised cost

The Group measures the loss allowance for other financial assets measured at amortised cost equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets 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.

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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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 collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 28.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.8 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Intangible assets;
- Property, plant and equipment; and
- The Company's investments in subsidiaries

These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the assets in the cash generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. For raw material, cost is calculated using the weighted average method and in case of finished goods, comprise direct materials, direct labour and an appropriate portion of overheads.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group determines whether the arrangement meets three key evaluations:

- whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- whether the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

Assets leased to the Group

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.11 Leases *(continued)*

Assets leased to the Group *(continued)*

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets have been included in “property, plant and equipment”, the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Revenue recognition

Revenue arises mainly from the sales of (i) disposable plastic food storage containers and (ii) daily necessities and other household goods on e-commerce platform and retail shops. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Sales of disposable plastic food storage containers and daily necessities and other household goods

Revenue from the sales of disposable plastic food storage containers and daily necessities and other household goods for a fixed fee is recognised when the Group transfers control of the assets to the customer in which the control is transferred at the point in time the customer takes undisputed delivery of the goods. The Group does not provide any sales-related warranties. Revenue from sale of disposable plastic food storage containers and daily necessities and other household goods excludes value added tax or other sales taxes.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees in the PRC are required to participate in a central pension scheme operated by the local municipal government and are required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in the profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

No forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.

2.16 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the period in which the temporary differences are expected to reverse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.17 Accounting for income taxes *(continued)*

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable income in those years. The estimate of future taxable income includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and their review of the performance of these components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- (a) Disposable plastic food storage containers; and
- (b) E-commerce and retail shops: Daily necessities and other household goods.

Each of these reportable segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group used for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the reportable segment:

- income tax; and
- corporate income and expenses which are not directly attributable to the business activities of any reportable segment.

2.19 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Related parties *(continued)*

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if: (continued)

- (b) the party is an entity and if any of the following conditions applies: (continued)
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS

Amended HKFRS Accounting Standards that are effective for annual periods beginning on or after 1 January 2025

In the current year, the Group has applied for the first time the Amendments to HKAS 21 “Lack of Exchangeability”, which are effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2025.

The adoption of the amended HKFRS Accounting Standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS *(continued)*

Issued but not yet effective HKFRS Accounting Standards

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRS Accounting Standards have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures and related amendments ²
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ¹
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ²

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

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

³ Effective date to be determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncements. These new and amended HKFRS Accounting Standards are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation of uncertainty

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

Impairment of property, plant and equipment and intangible assets

Items of property, plant and equipment (note 14) and intangible assets (note 15) are tested for impairment if there is any indication that the carrying amounts of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount (i.e. higher of the assets fair value less cost of disposal and value in use) and the amount of the write-down is charged against the consolidated statement of profit or loss and other comprehensive income. The carrying amount of property, plant and equipment as at 31 December 2025 amounted to RMB40,172,000 (2024: RMB39,244,000). The carrying amount of intangible assets as at 31 December 2025 amounted to RMB1,576,000 (2024: RMB3,703,000). During the year ended 31 December 2025, impairment loss of RMB360,000 and RMB675,000 were recognised on property, plant and equipment and intangible assets, respectively (2024: RMB1,166,000 and RMB2,796,000) in respect of the Group's e-commerce and retail shops segment.

The recoverable amount has been determined based on value in use calculations, which use cashflow forecast available as at 31 December 2025. Fair value less costs of disposal is not used as the management considered that it will not be possible to measure fair value less costs of disposal because there is no basis for making a reliable estimate of the price. These cashflow forecasts are derived from the approved business plan which has a forecast covering a period of five years.

Net realisable value of inventories

Net realisable value of inventories (note 18) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. The carrying amount of inventories as at 31 December 2025 amounted to RMB5,022,000 (2024: RM9,106,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Estimation of uncertainty *(continued)*

Estimation of impairment of trade and other receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience adjusted for forward-looking factors specific to the economic environment. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance. Details of trade receivables are set out in note 19. For the year ended 31 December 2025, no impairment loss was recognised on trade receivables (2024: nil).

Estimation of fair value of financial assets at FVTPL not traded in an active market

As at 31 December 2025, financial instruments that are not traded in an active market included the investment in film production carrying at fair value of RMB15,000,000 (2024: RMB20,416,000). The fair values are determined by using valuation techniques, details of which are set out in note 28.4. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Critical judgements

Discount rate of lease liabilities and right-of-use assets determination

In determining the discount rate, the Group has exercised considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets, the terms and conditions of the leases, at the commencement date and effective date of the modification.

Election of renewal of lease agreements

The Group has exercised considerable judgement in determining whether it will exercise the renewal options of lease agreements. The Group will exercise the renewal options considering that the lease for office and factory premises are critical for the Group's operations. Details of the renewals are set out in note 22 to the consolidated financial statements.

5. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision maker, have identified the Group's two major product and service lines as operating segments as described in note 2.18.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Year ended 31 December 2025		
	Disposable plastic food storage containers RMB'000	E-commerce and retail shops RMB'000	Total RMB'000
Revenue from external customers	166,553	11,626	178,179
Segment results	6,945	(4,274)	2,671
Unallocated expenses			(7,485)
Loss before income tax			(4,814)
Income tax expense			(1,959)
Loss for the year			(6,773)
Other Segment items			
Depreciation and amortisation	12,572	1,108	13,680
Impairment loss on intangible assets and property, plant and equipment	—	1,035	1,035
	Year ended 31 December 2024		
	Disposable plastic food storage containers RMB'000	E-commerce and retail shops RMB'000	Total RMB'000
Revenue from external customers	290,054	19,776	309,830
Segment results	53,444	(5,989)	47,455
Unallocated expenses			(6,483)
Profit before income tax			40,972
Income tax expense			(13,758)
Profit for the year			27,214
Other Segment items			
Depreciation and amortisation	13,607	2,135	15,742
Impairment loss on intangible assets and property, plant and equipment	—	3,962	3,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

As at 31 December 2025				
	Disposable plastic food storage containers RMB'000	E-commerce and retail shops RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment assets	283,694	4,849	16,058	304,601
Reportable segment liabilities	8,955	5,672	6,504	21,131

As at 31 December 2024				
	Disposable plastic food storage containers RMB'000	E-commerce and retail shops RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment assets	310,394	8,386	20,467	339,247
Reportable segment liabilities	39,270	4,935	6,597	50,802

Geographical information

Information about the Group's revenue by geographical locations presented based on the area or country in which the external customer is operated is presented as below:

	2025 RMB'000	2024 RMB'000
PRC (place of domicile)	178,179	309,830

The Group's non-current assets are all located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*

Information about major customers

There is no customer contributing over 10% of revenue to the Group during the year ended 31 December 2025 (2024: Nil).

6. REVENUE

The Group's principal activities are disclosed in note 1 to the consolidated financial statements. Revenue of the Group is the revenue derived from these activities and represented the net invoiced value of goods sold.

The Group's products are (i) disposable plastic food storage containers and (ii) daily necessities and other household goods on e-commerce platform and retail shops. All the revenue are recognised at a point in time. The Group's contracts with customers usually have original expected duration of one year or less.

Disaggregation of revenue from contracts with customers

The Group derives revenue from sales of products in the following brand and nature:

	2025 RMB'000	2024 RMB'000
Brand:		
Products under "JAZZIT" brand	150,125	260,262
Non-branded products	16,428	29,792
Disposable plastic food storage containers	166,553	290,054
Non-branded e-commerce and retail shops: daily necessities and other household goods	11,626	19,776
	178,179	309,830
Nature:		
Regular products	102,095	179,219
Customised products	62,932	108,098
Others	1,526	2,737
Disposable plastic food storage containers	166,553	290,054
E-commerce and retail shops: daily necessities and other household goods	11,626	19,776
	178,179	309,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE (continued)

Disaggregation of revenue from contracts with customers (continued)

Regular products represent products with more simplistic design and features suitable for food and beverage storage with one compartment. Customised products are the ones with enhanced design features and higher degree of functionality, which generally allow customers to store various kinds of food and beverage with multi-compartment disposable plastic food storage containers.

7. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Bank interest income	149	303
Interest income from film investment project (note)	1,105	1,013
Advertising income	31	2
	1,285	1,318

Note: Mr. Xu Youjiang ("Mr. Xu"), an executive director and shareholder of the Company, agrees to pay a penalty interest of 5% per annum to the Company based on the investment amount of RMB20,571,000 until the release date of the film project, starting from 1 January 2023 (note 16).

8. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest expense for lease arrangements	186	256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2025 RMB'000	2024 RMB'000
Depreciation		
– Owned used	9,915	11,021
– Held under leases	2,313	2,111
Amortisation of intangible assets included in administrative and other operating expenses	1,452	2,610
Auditors' remuneration	872	1,013
Short-term lease charges in respect of		
– Office	48	—
Cost of inventories recognised as an expense	110,446	189,412
Change in fair value of financial assets at fair value through profit or loss	5,416	4,209
Impairment loss on intangible assets and property, plant and equipment	1,035	3,962
Research and development cost (including staff costs)	18,398	10,567
Loss on disposals of property, plant and equipment	1,183	270
Staff costs (including directors' emoluments)		
Salaries, allowances and other benefits	22,127	23,138
Contributions to defined contribution retirement plans	1,733	1,640
	23,860	24,778

10. INCOME TAX EXPENSE

No provision for profits tax has been provided by the Company as the Company had no assessable profits subject to taxation in any jurisdiction. No provision for Hong Kong profits tax has been provided as the Group had no assessable profits arising from Hong Kong during the year ended 31 December 2025 (2024: nil).

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2024: 25%) on the assessable profits of the PRC subsidiaries.

	2025 RMB'000	2024 RMB'000
Current tax		
– Current year	1,843	13,660
– Under provision in respect of prior years	116	98
Provision for PRC enterprise income tax	1,959	13,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE *(continued)*

The difference between the actual income tax charge in the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to loss/profit before income tax can be reconciled as follows:

	2025 RMB'000	2024 RMB'000
(Loss)/Profit before income tax	(4,814)	40,972
Tax on (loss)/profit before income tax, calculated at the rate of 25% (2024: 25%)	(1,203)	10,243
Tax effect of non-deductible expenses	2,009	1,970
Tax effect of tax losses not recognised	1,037	1,447
Under provision in respect of prior years	116	98
Income tax expense	1,959	13,758

As at 31 December 2025, no deferred income tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in the PRC. In the opinion of the directors of the Company, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary in the PRC for which deferred income tax liabilities have not been recognised totalled approximately RMB213,779,000 as at 31 December 2025 (2024: RMB208,792,000).

As at 31 December 2025, the Group had total tax losses of approximately RMB4,203,000 (2024: RMB1,654,000) that are available to carry forward for 5 years for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised due to unpredictability of future profits stream. The Group did not have any other significant unrecognised deferred tax assets or liabilities (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' and Chief Executives' emoluments

	Year ended 31 December 2025				
	Fees RMB'000	Salaries, allowances and benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Xu	420	5	33	8	466
Mr. Zhang Yuangsheng (Mr. Zhang)	252	6	21	8	287
Ms. Xu Liping (Ms. Xu)	312	5	25	8	350
Mr. Cheng Congyu (Mr. Cheng) (note a)	75	—	—	—	75
	1,059	16	79	24	1,178
Independent Non-executive directors:					
Mr. Zhang Hongbo (note a)	20	—	—	—	20
Mr. Yang Jie (Mr. Yang) (note b)	40	—	—	—	40
Mr. Chang Eric Jackson (Mr. Chang)	37	—	—	—	37
Mr. Liu Dajin (Mr. Liu) (note c)	38	—	—	—	38
Mr. Deng Zhihuang (Mr. Deng) (note d)	40	—	—	—	40
	175	—	—	—	175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

11.1 Directors' and Chief Executives' emoluments *(continued)*

	Year ended 31 December 2024				Total RMB'000
	Fees RMB'000	Salaries, allowances and benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	
Executive directors:					
Mr. Xu	402	5	31	6	444
Mr. Zhang	242	6	20	6	274
Ms. Xu	298	5	24	6	333
	942	16	75	18	1,051
Independent Non-executive directors:					
Mr. Chang	37	—	—	—	37
Mr. Liu	50	—	—	—	50
Mr. Deng	80	—	—	—	80
	167	—	—	—	167

The emoluments shown above include emolument received from the Group by the directors in their capacity as director/employee of the Group's subsidiaries.

Note:

- (a) Mr. Cheng and Mr. Zhang Hongbo were appointed as an executive director and an independent non-executive director of the Company on 6 October 2025 respectively.
- (b) Mr. Yang was appointed as an independent non-executive director of the Company on 26 June 2025.
- (c) Mr. Liu resigned as an independent non-executive director of the Company on 6 October 2025.
- (d) Mr. Deng resigned as an independent non-executive director of the Company on 26 June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

11.2 Five highest paid individuals

The five highest paid individuals of the Group during the year ended 31 December 2025 include 3 directors (2024: 3 directors) whose emoluments are disclosed in note 11.1. The aggregate emoluments in respect of the remaining 2 individuals (2024: 2 individuals) are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	649	709
Retirement scheme contributions	16	12
	665	721

The above individuals' emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$ nil to HK\$1,000,000	2	2

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2025 (2024: nil). No directors or the five highest paid individuals have waived or agreed to waive any emoluments during the year ended 31 December 2025 (2024: nil).

12. DIVIDENDS

No dividend was paid or proposed during 2025 nor has any dividend been proposed since the end of the reporting period (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the following:

	2025	2024
(Loss)/earnings		
(Loss)/profit for the year attributable to equity holders of the Company (RMB'000)	(6,773)	27,214
Weighted average number of ordinary shares (in thousand)	748,483	748,483

The diluted (loss)/earnings per share equal to basic (loss)/earnings per share as there was no potential ordinary share in issue for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Building held under leases RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Mould RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at 1 January 2024	12,073	55,534	704	31,164	3,479	541	103,495
Additions	16	2,442	—	—	—	5,324	7,782
Transfer	—	—	—	5,444	—	(5,444)	—
Disposals	(16)	(5,929)	—	—	—	—	(5,945)
As at 31 December 2024	12,073	52,047	704	36,608	3,479	421	105,332
As at 1 January 2025	12,073	52,047	704	36,608	3,479	421	105,332
Additions	3,906	—	101	6,530	—	5,440	15,977
Transfer	—	—	—	5,861	—	(5,861)	—
Disposals	—	(17,314)	—	—	—	—	(17,314)
Lease modification	272	—	—	—	—	—	272
As at 31 December 2025	16,251	34,733	805	48,999	3,479	—	104,267
Accumulated depreciation and impairment							
As at 1 January 2024	5,921	27,205	547	21,188	2,546	—	57,407
Charge for the year	2,111	5,115	97	5,638	171	—	13,132
Written back on disposal	(16)	(5,601)	—	—	—	—	(5,617)
Impairment loss	1,166	—	—	—	—	—	1,166
As at 31 December 2024	9,182	26,719	644	26,826	2,717	—	66,088
As at 1 January 2025	9,182	26,719	644	26,826	2,717	—	66,088
Charge for the year	2,313	3,743	33	6,021	118	—	12,228
Written back on disposal	—	(14,581)	—	—	—	—	(14,581)
Impairment loss	360	—	—	—	—	—	360
As at 31 December 2025	11,855	15,881	677	32,847	2,835	—	64,095
Net book amount							
As at 31 December 2025	4,396	18,852	128	16,152	644	—	40,172
As at 31 December 2024	2,891	25,328	60	9,782	762	421	39,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2025, the recoverable amounts of the Group's property, plant and equipment and intangible assets (note 15), determined using the value in use approach, attributable to e-commerce and retail shops segment (the smallest cash-generating unit) were RMB nil and RMB nil (2024: RMB520,000 and RMB1,151,000) respectively. The recoverable amounts at 31 December 2025 and 2024 have been arrived based on a value in use estimation.

The most significant inputs, all of which are unobservable, are the growth rate and gross profit ratio. The growth rate and gross profit ratio are 2% and 14% (2024: 5% and 26%) respectively. The estimated value in use increases if the estimated cash flow increases or if discount rate (weighted average cost of capital) declines. The management estimated the recoverable amounts and recognised relevant impairment loss as a result of the general economic uncertainty in the e-commerce market and operating loss incurred.

15. INTANGIBLE ASSETS

	Mobile app development costs RMB'000	Patent on technical know-how RMB'000	Trademark RMB'000	Total RMB'000
Cost				
As at 1 January 2024, 31 December 2024 and 31 December 2025	10,444	4,880	9,500	24,824
Accumulated amortisation and impairment				
As at 1 January 2024	4,863	1,352	9,500	15,715
Provided for the year	1,634	976	—	2,610
Impairment loss	2,796	—	—	2,796
As at 31 December 2024	9,293	2,328	9,500	21,121
As at 1 January 2025	9,293	2,328	9,500	21,121
Provided for the year	476	976	—	1,452
Impairment loss	675	—	—	675
As at 31 December 2025	10,444	3,304	9,500	23,248
Net book amount				
As at 31 December 2025	—	1,576	—	1,576
As at 31 December 2024	1,151	2,552	—	3,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Investment in film production (Note)	15,000	20,416

Note:

On 10 January 2022, the Company entered into the equity sales and purchase agreements with Mr. Xu and certain third parties to acquire 100% equity interest of June Pictures & Media Limited ("**June Pictures**"), a limited liability company established in the British Virgin Islands ("**BVI**"), satisfied by the issuances of 74,482,760 ordinary shares of the Company to Mr. Xu and debt instruments of RMB6,171,000 to third parties. June Pictures held 10% interest of a film project.

The investment in the film production project entitles the Group, among others, the rights to share the income of the film project, in accordance with the terms of the investment agreement.

The Group's investment in film production as at 31 December 2025 and 2024 are classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

All the film production had been completed and the carrying amount at the end of the reporting period represented the fair value of the estimated net future cash flows from the film attributable to the Group.

June Pictures was originally wholly-owned by a third party, Yeewo Pictures & Media Limited ("**Yeewo Pictures**"). Yeewo Pictures transferred certain equity interests in June Pictures to Mr. Xu and another third party. Yeewo Pictures, Mr. Xu and another third party then transferred 100% equity interest in June Pictures to the Company.

In respect of the acquisition of June Pictures by the Company, Yeewo Pictures provides a profit guarantee of RMB25,572,000 for the 10% interest in the film project to the Company. Mr. Xu agrees to pay a penalty interest of 5% per annum to the Company based on the investment amount of RMB20,571,000 until the release date of the film project, starting from 1 January 2023. Relevant penalty interest of RMB1,105,000 (2024: RMB1,013,000) for the year ended 31 December 2025 has been recognised as other income (note 7).

On 31 December 2025, the Company entered into an equity sales and purchase agreement with an independent third party to transfer 100% equity interest of June Pictures for a consideration of RMB15,000,000. The disposal of June Pictures was completed on 23 March 2026.

The movement of the financial assets at FVTPL during the year is set out below:

	RMB'000
As at 1 January 2024	24,625
Fair value change	(4,209)
As at 31 December 2024 and 1 January 2025	20,416
Fair value change	(5,416)
As at 31 December 2025	15,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2025 and 2024 are as follows:

Company name	Place of incorporation/ establishment and principal place of operation	Registered/ Issued and fully paid up capital	Equity interest attributable to the Group		Principal activities
			2025	2024	
Fujian Hengsheng Animation Culture Diffusion Co., Ltd.	The PRC	RMB47,000,000	100%	100%	Design and development, manufacturing and sales of disposable plastic food storage containers
Yihe Investment Holdings Limited	BVI	1 share of US\$1	100%*	100%*	Investment holding
Silver Excel Investments Limited	Hong Kong	1 share	100%	100%	Investment holding
June Pictures	BVI	1,000 shares of US\$1	100%*	100%*	Investment in film production
Youpinhui Enterprise Limited	Hong Kong	10,000 shares	100%*	100%*	Investment holding
Beijing Youpinhui Trading Co., Ltd.	The PRC	RMB10,000,000***	100%	100%	Investment holding
Beijing Yihe Tianxia Network Technology Co., Ltd. ("Beijing Yihe")	The PRC	RMB10,000,000***	100%**	100%**	Sales of daily necessities and other household goods on e-commerce platform and retail shops
Shanghai Youpinhui Internet Technology Co., Ltd.	The PRC	RMB200,000,000***	— [#]	100%	Dormant

* Issued capital held directly by the Company.

** The Company holds 50% equity interest in Beijing Yihe. Pursuant to contractual arrangements with remaining shareholder of Beijing Yihe, the Company has power to control the operating and financial affairs of Beijing Yihe and share 100% of the profit or loss of Beijing Yihe. Accordingly, Beijing Yihe is treated as a wholly-owned subsidiary of the Company.

*** Registered capital not yet contributed.

[#] The company was deregistered on 29 August 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	3,202	4,966
Finished goods	1,820	4,140
	5,022	9,106

19. TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables — from third parties	29,200	59,975
Other receivables Prepayments	996	534
Deposits	482	124
Other receivables	1,031	2
	2,509	660
	31,709	60,635

The directors consider that the fair values of all of the trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts due to these balances having short maturity periods on their inception.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES *(continued)*

Trade receivables

Before accepting any new customer, the Group applies an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 60 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date and net of ECL allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 30 days	8,066	31,552
31-60 days	7,039	27,628
61-90 days	7,774	795
91-180 days	6,321	—
	29,200	59,975

Trade receivables are mainly denominated in RMB. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. As at 31 December 2025, trade receivables of RMB14,095,000 were past due (2024: RMB795,000) and were subsequently settled. During the year ended 31 December 2025, no written off was made against the trade receivables (2024: Nil).

Generally, the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. As at 31 December 2025, there has not been any significant change in the gross amounts of trade receivables that has affected the estimation of the loss allowance during the year (2024: Nil).

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 28.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Bank balances and cash	210,959	206,143

Included in the Group's cash and cash equivalents of approximately RMB210,666,000 (2024: RMB205,981,000) as at 31 December 2025 are bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. The conversion of RMB denominated deposits placed in banks in the PRC in foreign currencies and remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government. Cash at banks earns interest at floating rates based on daily bank deposit rates.

21. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables		
— To third parties	3,670	27,865
Accrued charges and other payables		
— Other tax payable	362	2,044
— Salaries payables	2,458	2,483
— Other payables and accruals	1,328	2,135
— Receipts in advance	478	1,360
— Consideration payable (note (i))	6,171	6,171
— Deferred gain (note (ii))	1,097	1,097
	11,894	15,290
	15,564	43,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE AND OTHER PAYABLES (continued)

Notes:

- (i) As at 31 December 2025, consideration payable represented the promissory notes issued for acquisition of 100% equity interest of June Pictures (note 16) amounting to RMB6,171,000 (31 December 2024: RMB6,171,000) which are interest-free and repayable on demand upon the date when the film is publicly released in cinemas in the PRC.
- (ii) Deferred gain represents the difference between the fair value of considerations given and the fair value of financial assets at FVTPL (note 16) at date of acquisition. The deferred gain will be recognised in the consolidated statement of profit or loss and other comprehensive income upon realisation of the investment in film production. Relevant portion of the difference attributable to shareholder's contribution is included in the consolidated statement of changes in equity.

Trade payables

The Group is granted by its suppliers credit periods ranging from 30 to 60 days. An aged analysis of the trade payables, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 30 days	3,199	18,089
31 days to 60 days	471	9,776
	3,670	27,865

All trade payables are denominated in RMB. All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

22. LEASE LIABILITIES

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2025 RMB'000	2024 RMB'000
Current:		
Third parties	1,912	1,603
Jinjiang Hengsheng Toys Co., Ltd ("Hengsheng Toys") (Note (i))	372	429
Non-current:		
Third parties	3,008	1,562
Hengsheng Toys	275	647
	5,567	4,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. LEASE LIABILITIES (continued)

The Group has leases for an office, retail shops, and factory premises. These leases are reflected on the consolidated statement of financial position as property, plant and equipment (note 14) and lease liabilities.

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. Leases can only be cancelled with mutual agreement between the Group and lessor. There is no variable lease payment and termination option among the lease contracts.

The following table shows the future minimum lease payments:

	2025 RMB'000	2024 RMB'000
Within one year	2,464	2,183
One to two years	2,636	1,605
Two to five years	769	766
	5,869	4,554
Finance charges	(302)	(313)
	5,567	4,241
	2025 RMB'000	2024 RMB'000
Present value of minimum lease payments:		
Due within one year	2,284	2,032
Due in first to second years	2,530	1,466
Due in second to fifth years	753	743
	5,567	4,241
Less: Portion due within one year included under current liabilities	(2,284)	(2,032)
Portion due after one year included under non-current liabilities	3,283	2,209

Lease period of lease agreements with Hengsheng Toys are three years. The Group can elect to renew for another three years with same rentals upon the expiration of the three-year lease term. Thereafter the lease period and rentals are subject to negotiations but Hengsheng Toys agrees to lease to the Group for a maximum of 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. LEASE LIABILITIES (continued)

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised as property, plant and equipment on consolidated statement of financial position:

2025

Right-of-use asset	No. of leases	Range of remaining lease term (Note (ii)) Year	Average remaining lease term (Note (ii)) Year
Buildings	21	1-4	2-3

2024

Right-of-use asset	No. of leases	Range of remaining lease term (Note (ii)) Year	Average remaining lease term (Note (ii)) Year
Buildings	11	1-4	2-3

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). For the year ended 31 December 2025, expenses incurred for short term lease not included in the measurement of lease liability is RMB48,000 (2024: nil).

For the year ended 31 December 2025, the total cash outflows for the leases are RMB3,100,000 (2024: RMB2,460,000).

Notes:

- (i) Hengsheng Toys is controlled by Mr. Hui Man Kit. Mr. Hui Man Kit is the brother of Mr. Xu, the shareholder and executive director of the Company.
- (ii) On the basis that the Group elects to renew the lease agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE CAPITAL

	2025		2024	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary share of HK\$0.01				
As at 1 January and 31 December	5,000,000,000	45,147	5,000,000,000	45,147
Issued and fully paid:				
As at 1 January and 31 December	748,482,760	6,667	748,482,760	6,667

24. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2025 and 2024 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Other reserve

Other reserve includes statutory reserve and capital contribution.

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with the generally accepted accounting principles of the People's Republic of China ("PRC GAAP"), to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Translation reserve

Translation reserve comprises all foreign exchange differences for the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in note 2.3.

Distributable reserves

As at 31 December 2025, the reserves available for distribution to the shareholders of the Company amounted to RMB48,374,000 (2024: RMB50,412,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in subsidiaries	17	41,445	41,445
Current assets			
Amount due from subsidiaries (Note(i))		49,504	51,638
Other receivables		1,029	—
Cash and cash equivalents		17	36
		50,550	51,674
Current liabilities			
Other payables		1,170	1,222
Amount due to subsidiaries (Note(i))		27,281	25,159
Other payables		6,171	6,171
		34,622	32,552
Net current assets		15,928	19,122
Net assets		57,373	60,567
CAPITAL AND RESERVES			
Share capital	23	6,667	6,667
Reserves (Note(ii))		50,706	53,900
Total equity		57,373	60,567

Note (i): The amounts due are unsecured, interest-free and repayable on demand.

Xu Youjiang
Director

Zhang Yuansheng
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note(ii): The movement of the Company's reserves are as follows:

	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	83,348	2,763	(340)	(30,689)	55,082
Loss and total comprehensive expenses for the year	—	—	—	(2,247)	(2,247)
Exchange difference on translation to presentation currency	—	—	1,065	—	1,065
Balance at 31 December 2024 and 1 January 2025	83,348	2,763	725	(32,936)	53,900
Loss and total comprehensive expenses for the year	—	—	—	(2,038)	(2,038)
Exchange difference on translation to presentation currency	—	—	(1,156)	—	(1,156)
Balance at 31 December 2025	83,348	2,763	(431)	(34,974)	50,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

Compensation of key management personnel

	2025 RMB'000	2024 RMB'000
(a) Key management personnel remuneration		
Salaries, allowances and benefits	1,154	1,032
Retirement scheme contributions	24	19
	1,178	1,051
	2025 RMB'000	2024 RMB'000
(b) Transactions with related parties		
Hengsheng Toys		
Addition to right-of-use asset	—	16
Interest expense for lease arrangements	48	68
Mr. Xu		
Penalty interest income	1,105	1,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Lease liabilities RMB'000
At 1 January 2024	6,412
Cash transaction:	
— Capital element of lease rentals paid	(2,204)
— Interest element of lease rentals paid	(256)
Non-cash transaction:	
— Effective interest charges (note 8)	256
— Net off with prepaid lease payments	17
— Addition	16
At 31 December 2024 and 1 January 2025	4,241
Cash transaction:	
— Capital element of lease rentals paid	(2,866)
— Interest element of lease rentals paid	(186)
Non-cash transaction:	
— Effective interest charges (note 8)	186
— Net off with prepaid lease payments	14
— Addition	3,906
— Lease modification	272
At 31 December 2025	5,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk), credit risk and liquidity risk. The Group's exposure to foreign currency risks arise from its accruals which are primarily denominated in Hong Kong Dollars, which are not the functional currency of the respective entities of the Group to which these transactions related. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances. The directors consider the exposure to foreign currency risk is immaterial.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

28.1 Categories of financial assets and liabilities

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at FVTPL	15,000	20,416
Measured at amortised costs:		
Trade and other receivables	30,713	60,101
Cash and cash equivalents	210,959	206,143
	256,672	286,660
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	13,627	38,654
Lease liabilities	5,567	4,241
	19,194	42,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(continued)*

28.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group is exposed to credit risk in relation to its bank deposits and trade and other receivables. The Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at the reporting dates as summarised in note 28.1.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the management. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers. In addition, as set out in note 2.7, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the historical credit loss experience. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The Group is exposed to concentration of credit risk as at 31 December 2025 on trade receivables from the Group's five largest debtors which accounted for 45% of the Group's total trade receivables (2024: 30%). The management reviews the recoverable amount of each individual receivable regularly to ensure that follow up actions is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its other receivables into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1	When other receivables are first recognised, the Group recognises an allowance based on 12-month ECL.
Stage 2	When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.
Stage 3	When other receivables are considered credit-impaired, the Group records an allowance for the lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(continued)*

28.2 Credit risk *(continued)*

The Group assessed that the ECL for these receivables are not material under the 12-month ECL method. Thus no ECL was recognised during the year ended 31 December 2025 (2024: nil). The ECL are summarised as below.

	As at 31 December	
	2025	2024
Trade receivables		
— Current	0.1%	0.1%

28.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and lease liabilities, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The analysis set out the remaining contractual maturity based on undiscounted cash flow of the Group's financial liabilities.

	Within one year or on demand RMB'000	One to two years RMB'000	Two to five years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2025					
Trade and other payables	13,627	—	—	13,627	13,627
Lease liabilities	2,464	2,636	769	5,869	5,567
Total	16,091	2,636	769	19,496	19,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(continued)*

28.3 Liquidity risk *(continued)*

	Within one year or on demand RMB'000	One to two years RMB'000	Two to five years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2024					
Trade and other payables	38,654	—	—	38,654	38,654
Lease liabilities	2,183	1,605	766	4,554	4,241
Total	40,837	1,605	766	43,208	42,895

28.4 Fair values

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial assets is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(continued)*

28.4 Fair values *(continued)*

	Fair value measurements as at 31 December categorised into			
	Fair value at 31 December RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
31 December 2025				
Financial assets at FVTPL:				
Investment in film production	15,000	—	—	15,000
31 December 2024				
Financial assets at FVTPL:				
Investment in film production	20,416	—	—	20,416

The movements during the year in the balance of these Level 3 fair value measurements are disclosed in note 16. The methods and valuation techniques and inputs used in Level 3 fair value measurements are described below:

For the investment in film production acquired on 27 April 2022, the management has engaged an external valuer to carry out valuations on the fair value of the investment in film production.

The fair value of investment in film production is determined using discounted cash flows. As set out in note 16, the Group entered into an equity sales and purchase agreement to dispose 100% equity interest of June Pictures. The consideration of RMB15,000,000 is determined by reference to the fair value of the investment in film production at 30 November 2025 estimated by the external valuer. The management considers there is no material change in the assumptions and inputs of the valuation since 30 November 2025, the management considers the estimated fair value of RMB15,000,000 approximated the fair value of the investment in film production at 31 December 2025.

Key unobservable input of the discounted cash flows is the forecasted gross box office receipts derived from market median of comparable movies. However, as the fair value estimated using discounted cash flows is lower than the profit guaranteed amount of RMB25,572,000, it is determined that the fair value of investment in film production is based on the profit guaranteed amount as adjusted by necessary time values of money and other factors such as expected ultimate recovery of the guarantee (including the penalty interest).

The fair value of the film project is valued at approximately RMB15,000,000 as at 31 December 2025 (2024: RMB20,416,000).

Other than the above, the management considered the carrying amounts of financial assets and financial liabilities of the Group are not materially different from their fair values as at 31 December 2025 and 2024.

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29. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as the sum of trade and other payables and lease liabilities less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing. The debt to equity ratio as at 31 December 2025 and 2024 were:

	At 31 December	
	2025 RMB'000	2024 RMB'000
Trade and other payables	15,564	43,155
Lease liabilities	5,567	4,241
Less: Cash and cash equivalents	(210,959)	(206,143)
Net debt	(189,828)	(158,747)
Total equity	283,470	288,445
Debt to equity ratio	N/A	N/A