

STOCK CODE: HK 2023

2025 ANNUAL REPORT

A BETTER WORLD FOR EVERYONE



中國綠島科技有限公司
CHINA LUDAO TECHNOLOGY COMPANY LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Yu Yuerong (*Chairman*)
Mr. Wang Xiaobing (*Deputy Chairman*)
Ms. Pan Yili

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung
Mr. Ruan Lianfa
Ms. Yau Kit Kuen Jean

AUDIT COMMITTEE

Mr. Chan Yin Tsung (*Chairman*)
Mr. Ruan Lianfa
Ms. Yau Kit Kuen Jean

NOMINATION COMMITTEE

Ms. Yau Kit Kuen Jean (*Chairlady*)
Mr. Chan Yin Tsung
Mr. Ruan Lianfa
Mr. Yu Yuerong

REMUNERATION COMMITTEE

Mr. Chan Yin Tsung (*Chairman*)
Mr. Ruan Lianfa
Mr. Yu Yuerong
Ms. Yau Kit Kuen Jean

COMPANY SECRETARY

Mr. Ho Ka Wai

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2003, 20/F.
Dah Sing Financial Centre
248 Queen's Road East
Wan Chai
Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

5 Sanmen Industry Road
Sanmen Industry Zone
Taizhou City
Zhejiang Province
The PRC

INDEPENDENT AUDITOR

WM CPA Limited
Unit B, 10/F, Tower B
Billion Centre
1 Wang Kwong Road
Kowloon Bay
Hong Kong

LEGAL ADVISOR

Ma Tang & Co.
Rooms 1508-1513
Nan Fung Tower
88 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.

WEBSITE

www.ludao.cn.com

STOCK CODE

2023

Chairman's Statement

On behalf of the board (the “Board”) of directors (the “Directors”) of China Ludao Technology Company Limited (the “Company” and together with its subsidiaries, the “Group”), I would like to present to the shareholders of the Company the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the “Reporting Period”).

During the Reporting Period, the Group continued to expand its domestic market presence through a variety of distribution networks while actively exploring overseas markets. Benefiting from the persistently low Renminbi (“RMB”) against US dollar (“USD”) exchange rate throughout the year, which remained favorable to the Group’s export business, especially in the Pan-American market. With the support of such favorable factors, the Group delivered satisfactory sales and profit performance.

Notwithstanding the supportive factors, in response to uncertainties in the international business environment, the Group remained committed to continuous improvement and to its core philosophy of “innovative, green and harmonious” development. The Group continued to strengthen strategic partnerships with key customers. While consolidating existing sales channels, it actively explored new distribution networks, further expanded its domestic market presence, and intensified research and development efforts focused on high value-added products to enhance pricing power. Investments in e-commerce operations were also increased, resulting in broader online sales coverage. During the Reporting Period, the Group’s contract manufacturing service (“CMS”) business recorded a steady increase of approximately 5.9%, as well as the original brand manufacturing (“OBM”) business also recorded an increase of approximately 3.1%. Meanwhile, the wholesale business achieved a significant increase of approximately 57.7%.

Last but not least, on behalf of the Board, I would like to extend my heartfelt thanks to the management team, employees, customers, suppliers and business partners of the Group for their dedicated contribution and support and also extend my gratitude to all our shareholders for their continuous support in this challenging year. In praise of their support, the Group will unwaveringly strive for reaping more promising business performance.

Yu Yuerong

Chairman and Executive Director

Hong Kong, 27 March 2026

Management Discussion and Analysis

BUSINESS REVIEW

As one of the few top leading manufacturers of the aerosol products in the People's Republic of China (the "PRC"), our Group is principally engaged in the research and development, manufacture and sale of aerosol products for household and auto care, air fresheners, personal care products and insecticides and wholesale of personal care products and production-related materials. We sell our products on CMS basis to overseas markets and on OBM basis in the PRC market. Meanwhile, the Group also expands the market in the PRC on CMS basis gradually. Our products can be divided into four major categories, namely (i) household and auto care products, (ii) air-fresheners, (iii) personal care products, and (iv) insecticides.

Our OBM business offers products under our own brand names of "Green Island", "Ludao" ("綠島"), "JIERJIA" ("吉爾佳") and "EAGLEIN KING" ("鷹王"), mainly through a network of distributors, who further resell our OBM products to wholesalers, retailers and end-users in the PRC. Our Group also timely launched the brand "GINVIK" through our subsidiary Zhejiang Sinopharm Junyue Aerosol Co., Ltd* (浙江國藥景岳氣霧劑有限公司) which included e-commerce as a sale channel.

We also continue to explore the wholesale business to sell personal care products and production-related materials in the PRC during the Reporting Period.

During the Reporting Period, the Group remained steadfast in upholding its philosophy of "innovative, green and harmonious" development, and further strengthened partnerships with strategic customers. While consolidating our existing sales channels, we actively explored new distribution networks, expanded domestic market presence, and intensified research and development efforts for high value-added products to enhance the Group's pricing power. Investments in e-commerce operations were continuously scaled up, resulting in broader online sales coverage. In 2025, the Group's CMS business recorded a steady increase of approximately 5.9%, as well as the OBM business also recorded an increase of approximately 3.1%. Meanwhile, the wholesale business achieved a significant increase of approximately 57.7%.

For the Reporting Period, the revenue and net profit of the Group were approximately RMB1,118.4 million and RMB56.3 million respectively, representing an increase of approximately 23.3% and 9.7% respectively over 2024. Basic earnings per share was approximately RMB11 cents (2024: approximately RMB10 cents).

The Group's total comprehensive income for the year attributable to the owners of the Company was approximately RMB150.6 million for the Reporting Period, compared to that of approximately RMB37.8 million for the prior year. The increase was primarily driven by approximately RMB103.7 million arising from a gain on revaluation of land and buildings (2024: Nil), partially offset by deferred taxation relating to revaluation of land and buildings of approximately RMB23.1 million (2024: Nil), and approximately RMB13.7 million arising from currency translation differences (2024: loss of approximately RMB13.5 million), combined with the increase in profit for the Reporting Period to approximately RMB56.3 million (2024: approximately RMB51.3 million).

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

CMS

For the Reporting Period, the revenue for the Group's CMS business was approximately RMB609.6 million (2024: approximately RMB575.4 million) representing an increase of approximately 5.9% as compared with last year.

During the Reporting Period, adhering to the philosophy of “innovative, green and harmonious” development, the Group continued to strengthen the cooperation relationship with strategic customers, more actively expanded the domestic market and vigorously developed high value-added products to enhance the pricing power of the Group's products and proactively explore more international markets. In 2025, the Group's CMS business achieved a healthy growth as compared with last year.

OBM

The revenue for OBM business of the Group for the Reporting Period was approximately RMB26.5 million (2024: approximately RMB25.7 million), representing an increase of approximately 3.1% as compared with last year.

During the Reporting Period, the Group adjusted the sales channels for the OBM business. It optimized and adjusted sales activities under the models of old wholesalers and retailers to better adapt to the market. In 2025, the Group's OBM business achieved a healthy growth as compared with last year.

Wholesale business

During the Reporting Period, the Group continued to engage in the wholesale business of personal care products and production-related materials in the PRC. Through the industry experience and market network of the personal care products and production-related materials of the Group in the PRC, the Group expanded its business sources and increased its revenue. Revenue from wholesale business in 2025 was approximately RMB482.2 million (2024: approximately RMB305.7 million) representing an increase of approximately 57.7% as compared with last year.

Cost of sales

Cost of sales of the Group for the Reporting Period was approximately RMB966.8 million (2024: approximately RMB765.0 million), representing an increase of approximately 26.4% when compared to the last year. The increase was in line with the increment of sales volume.

Management Discussion and Analysis

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately RMB151.6 million (2024: approximately RMB141.8 million), representing an increase of approximately 6.9% as compared to that of the prior year. The gross profit margin was approximately 13.6% (2024: approximately 15.6%), such decrease of approximately 2.0% was primarily due to continuous inflation of product raw material price, the weakening of USD against RMB and also diluted by the slight gross profit margin ratio from the wholesales business.

Net profit and net profit margin

The Group's net profit for the Reporting Period was approximately RMB56.3 million (2024: approximately RMB51.3 million), representing an increase of approximately 9.7% when compared to the prior year. The net profit margin of the Group decreased from approximately 5.7% in 2024 to approximately 5.0% in 2025. Such result was primarily due to reduction in gross profit margin ratio during the Reporting Period.

Other comprehensive income for the year

The Group's other comprehensive income for the Reporting Period was approximately RMB94.3 million (2024: other comprehensive expenses of approximately RMB13.5 million), representing an increase of approximately 798.5% when compared to the prior year. The increase was mainly due to the effect of a gain on revaluation of land and buildings of approximately RMB103.7 million (2024: Nil), partially offset by deferred taxation relating to revaluation of land and buildings of approximately RMB23.1 million (2024: Nil), and currency translation differences of approximately RMB13.7 million (2024: loss of approximately RMB13.5 million).

Expenses

Selling expenses

Selling expenses mainly consist of staff salaries, allowance and bonus, entertainment expenses, transportation and travelling expenses, advertising expenses and exhibition expenses. For the Reporting Period, selling expenses was approximately RMB29.3 million (2024: approximately RMB21.3 million), representing an increase of approximately 37.6% as compared to that of the prior year. The increase was primarily due to the increase in staff salaries, allowance and bonuses and transportation and travelling expenses during the Reporting Period.

Management Discussion and Analysis

Administrative and other operating expenses

Administrative and other operating expenses consist of staff salaries and benefit expenses, depreciation and amortisation, transportation and travelling expenses, office expenses, research and development costs, other tax expenses and entertainment expenses. For the Reporting Period, administrative and other operating expenses was approximately RMB70.1 million (2024: approximately RMB65.9 million), representing an increase of approximately 6.4% as compared to that of the prior year. The increase was primarily due to the increase in staff salaries and benefit expenses and depreciation and amortisation.

Finance costs – net

For the Reporting Period, the Group recorded net finance costs of approximately RMB0.6 million (2024: net finance costs of approximately RMB5.5 million), representing a decrease of approximately 89.1% as compared to that of the prior year. The decrease was primarily due to certain high interest rate loans being replaced by lower interest rate loans and no interest expenses from convertible bonds, partially offset by reduced capitalisation of borrowing costs in construction-in-progress during the Reporting Period.

Income tax expense

The income tax expense of the Group for the Reporting Period was approximately RMB18.3 million, representing an increase of approximately RMB10.7 million as compared with approximately RMB7.6 million in 2024. Effective income tax rate for the current period was approximately 24.5%, which was higher as compared with approximately 12.8% over 2024. The higher effective income tax rate was primarily due to the tax effect of recognised temporary difference.

HIGHLIGHTS OF STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

The Group's property, plant and equipment was approximately RMB902.0 million as at 31 December 2025 compared to approximately RMB801.0 million as at 31 December 2024. Such increase was mainly due to the addition of property, plant and equipment of approximately RMB102.7 million combined with the depreciation provided of approximately RMB12.5 million during the year ended 31 December 2025. Details and breakdown of the property, plant and equipment were set out in note 15 to the consolidated financial statements. The capital expenditures were financed by the internal resources and bank borrowings of the Group.

Management Discussion and Analysis

Prepayments for property, plant and equipment

As at 31 December 2025, the Group's prepayments for property, plant and equipment was approximately RMB66.2 million (2024: approximately RMB80.1 million). The decrease was due to certain advances made under construction contracts and purchases contracts related to development of production plants in the PRC in previous years were transferred to property, plant and equipment during the Reporting Period.

Right-of-use assets

Right-of-use assets increased to approximately RMB166.4 million as at 31 December 2025 (2024: approximately RMB78.0 million), primarily due to the revaluation of land use rights during the year.

Inventories

As at 31 December 2025, the inventories increased by approximately 8.9% to approximately RMB62.7 million (2024: approximately RMB57.6 million). This was mainly due to the Group purchased more raw materials to fulfill the high production demand, resulting in an increase in raw materials at the end of the year.

Trade receivables

As at 31 December 2025, trade receivables of approximately RMB27.2 million were past due, representing a decrease of approximately 69.8% as compared to the amount of approximately RMB90.1 million as at 31 December 2024. The amount of the impairment provision was approximately RMB11.1 million as at 31 December 2025 (2024: approximately RMB14.2 million).

Deferred tax liabilities

Deferred tax liabilities rose sharply to approximately RMB42.2 million as at 31 December 2025 (2024: approximately RMB7.8 million), mainly attributable to approximately RMB23.1 million of deferred tax charged on the revaluation gains of land and buildings.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the total assets of the Group amounted to approximately RMB1,928.6 million (2024: approximately RMB1,694.8 million), and net current liabilities of approximately RMB297.9 million (2024: net current liabilities: approximately RMB266.4 million). The gearing ratio (based on the total debt over the total equity) of the Group was approximately 155.5%, which was lower than that of approximately 175.8% over 2024. The decrease was primarily due to the increase of equity during the year.

Management Discussion and Analysis

BORROWINGS AND THE PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2025, notes payable of approximately RMB226.9 million (2024: approximately RMB149.2 million) were secured by pledge bank deposits with an aggregate carrying amount of approximately RMB78.7 million (2024: approximately RMB70.0 million) and guaranteed by a director of the Group and a close family member of director of the Group. Buildings, construction in progress, land use rights and pledged bank deposits with an aggregate carrying amount of approximately RMB917.0 million (2024: approximately RMB735.2 million) were pledged to secure the Group's bank borrowings which were guaranteed by a director of the Group and a close family member of directors of the Group. Save as disclosed herein, there was no other charge on the Group's assets.

As at 31 December 2025, the Group's total bank and other borrowings amounted to approximately RMB702.7 million (2024: approximately RMB637.5 million), of which approximately RMB466.4 million (2024: approximately RMB358.5 million) with full are repayable on demand or due for repayment within the next twelve months from the end of the Reporting Period.

CAPITAL STRUCTURE

During the Reporting Period, there was no change in the Company's share capital.

FINANCING

The Board considers that the existing financial resources together with funds generated from business operations will be sufficient to meet future expansion plans and the Group believes that it will, if necessary, be capable of obtaining additional financing with favourable terms.

FUND RAISING ACTIVITIES

The Company has not conducted any fund raising activity during the Reporting Period and up to the date of this annual report.

CONTRACTUAL OBLIGATIONS

As at 31 December 2025, the Group had capital commitments of approximately RMB156.7 million in respect of property, plant and equipment (2024: approximately RMB263.7 million). As at 31 December 2025, the Group did not have any future aggregate minimum lease rental receivables (2024: Nil).

CONTINGENT LIABILITIES

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

Management Discussion and Analysis

EXCHANGE RATE EXPOSURE

During the Reporting Period, the Group mainly operated in the PRC with most transactions settled in RMB. Although the Group may be exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB, the majority of our assets and liabilities were denominated in RMB. We currently do not have any foreign exchange contracts because hedging cost is relatively high. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 31 December 2025, the Group had employed a total of 513 employees (2024: 486). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The total staff costs (including fees, salaries and other allowance for both Directors and other staff) for the Reporting Period were approximately RMB60.5 million (2024: approximately RMB55.0 million). The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the Reporting Period. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). The Group will review the remuneration policy and related packages on a regular basis.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investments during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to invest and develop projects for the research and development, manufacture and sale of medical and edible aerosol products through its subsidiaries in the PRC. Also, the Group will continue to expand and explore sales network and platform in order to achieve business growth. The Group will also identify other investment opportunities in the market.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Management Discussion and Analysis

FINAL DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31 December 2025 (2024: Nil).

PROSPECTS

Looking ahead to 2026, the Group will continue to strengthen its supply chain development, control procurement costs, and further enhance its research and development capabilities. This will ensure a more efficient and targeted approach to developing high-value-added products that are well-received by the market, thereby enhancing the bargaining power and market prospects of the Group's products. The Group will strive to maintain and expand its market share in order to further consolidate and strengthen its CMS and OBM businesses. The Group will also ensure that its subsidiary, Zhejiang Sinopharm Jinyue Aerosol Co., Ltd* (浙江國藥景岳氣霧劑有限公司), maintains efficient production and robust sales growth, while enhancing the development of medicinal and edible aerosol products as well as cosmetic products, thereby maintaining its leading position in the market in terms of product innovation and practicality. In addition, the Group will leverage its e-commerce subsidiaries to broaden sales channels to lay a solid foundation for sustainable revenue growth in the years ahead. Our Chairman and management will closely monitor global dynamics and adapt strategies proactively to deliver stronger performance.

OTHER INFORMATION

Update on Profit Guarantee in respect of the Acquisition of 25% Equity Interest of EC Group (as defined below)

Reference is made to the announcements of the Company dated 29 November 2017 and 5 December 2017 in relation to, amongst other things, the acquisition of 25% equity interest in Ever Clever Group Limited (the "Ever Clever"), together with its subsidiaries (the "EC Group"). Further reference is also made to the announcements of the Company in relation to the update on the profit guarantee of such acquisition dated 23 August 2018, 4 September 2018, 25 October 2019, 17 January 2020, 20 August 2020, 16 September 2020 and 2 November 2020.

The Company has made attempts to communicate and enquire with the relevant individuals from Perfect Century Group Limited (the "EC Vendor") and Huailai Hengji Heat Supply Limited Company* (懷來縣恒吉熱力有限公司) (the "HGRL") to request for the audited financial statements of HGRL in accordance with the sale and purchase agreement dated 29 November 2017 (the "EC Agreement") on several occasions from time to time in 2019 but such attempts did not come to any fruitful results. There has been no material development since the publication of the announcement of the Company dated 17 January 2020.

Management Discussion and Analysis

As HGRL, the principal operating group company of the EC Group, is a company established in the PRC, the Board is advised to take a more comprehensive view of the merits of making a claim against the EC Vendor and/or HGRL in each different relevant jurisdiction. Accordingly, the Board would also seek legal advice from the PRC legal advisers to take any legal action against the EC Vendor and/or HGRL directly in the PRC for the provision of the audited financial statements of HGRL for the year ended 31 March 2018, 31 March 2019 and 31 March 2020.

In November 2020, the Group has taken actions to enforce the share charge over 2,500 shares in Ever Clever against the EC Vendor and notified the EC Vendor of the same, subject to completion of the relevant registration and filing requirements. To enforce the EC Agreement, the Company and Prosper One Development Limited (the “Purchaser”) acted as plaintiffs to issue a writ of summons in the High Court of Hong Kong against the EC Vendor as defendant for, among others, cash compensation payable by the EC Vendor as a result of the breach of its obligations under the EC Agreement, an order requiring the EC Vendor to deliver the audited financial statements of HGRL and a declaration that the Company and the Purchaser are entitled to cancel and avoid the convertible bonds issued by the Company.

As the Group did not receive any replies from the EC Vendor to the writ of summons, the Company and the Purchaser sought to obtain a default judgment against the EC Vendor. On 21 December 2021, the High Court of Hong Kong gave a judgment in favour of the Company and the Purchaser and ordered the EC Vendor to pay damages totaling RMB2,827,500,000 to the Company and the Purchaser. The High Court also ordered the EC Vendor to deliver the audited financial statements of HGRL and declared that the Company and the Purchaser were entitled to cancel and avoid the convertible bonds issued by the Company to the EC Vendor. As at the date of this annual report, no notice of appeal against the default judgment or application for setting-aside the default judgment has been served on the Company or the Purchaser. The board is in the process to discuss the enforcement possibility with legal team.

Corporate Governance Report

The Board is pleased to present this corporate governance report (the “Corporate Governance Report”) for the year ended 31 December 2025.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company and transparency and accountability of all operations. The Company recognises the importance of good corporate governance to the Company’s healthy growth and has devoted considerable effort to identify and formulate corporate governance practices which are suitable for the Company’s needs.

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the code provisions set out in the section headed “Part 1 – Mandatory disclosure requirements” and the applicable code provisions set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following:

Chairman and Chief Executive

Pursuant to code provision C.2.1 of the CG Code, it is recommended that, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Yu Yuerong (“Mr. Yu”), the Company has deviated from the CG Code. Mr. Wang Xiaobing has been appointed as deputy chairman of the Board to assist Mr. Yu in the overall corporate development and strategic planning of the Company. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person, given Mr. Yu’s considerable experience and established market reputation in the industry, as well as his key role in the strategic development of the Company. The dual role arrangement provides strong and consistent leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Corporate Governance Report

CORPORATE CULTURE AND STRATEGY

Corporate Culture

The Board and the management of the Group set the tone and shape the corporate culture, which is underpinned by the core values of acting lawfully, ethically and responsibly across all levels of the Group. The Board leads the management in defining the purpose, values and strategic direction of the Group and in fostering a corporate culture that is building a long-term sustainable business models where customers, partners, investors, suppliers and employees can benefit in the shared value of corporate success. The desired culture is developed and reflected consistently in the Group's business operations, workplace policies and practices as well as relationships with the shareholders and other stakeholders of the Company. The Board, together with the management of the Group, create an organizational culture of maintaining and developing an effective corporate governance framework with stringent corporate governance practices and mechanism through workforce engagement, employee retention and training, robust financial reporting, whistleblowing, data privacy and anti-corruption policies, and legal and regulatory compliance. Taking into account the corporate culture in a range of contexts, the Board considers that the Group's culture, purpose, values and strategy are aligned.

Corporate Strategy

In order to achieve the Group's principal objective of enhancing long-term values and interests to the shareholders and other stakeholders of the Company, the Group focuses on achieving sustainable growth in both financial and environmental, social and governance ("ESG") performance. The Group executes disciplined management of revenue and profitability, margin and costs, capital and investment return and other financing activities. The "Chairman's Statement" and the "Management Discussion and Analysis" in this annual report include discussions and analyses of the Group's performance, the basis on which the Board directs to generate the Group's core values in the longer term and delivers the Group's corporate culture, strategy and objectives. The Group is increasingly conscious on ESG and focusing on supporting the global low-carbon and sustainable future transition. Further details on the Group's ESG initiatives and relationships with its key stakeholders are disclosed in the "Environmental, Social and Governance Report" of this annual report.

THE BOARD

The Board provides leadership, guidance and strategic decisions to the Group's activities and oversees its financial performance. Directors are responsible for promoting success of the Company and making decisions in the best interests of the Company. The Board has delegated its powers to the management with regards to the Group's daily management and operations.

Corporate Governance Report

Roles and Responsibilities of Directors

The Board, led by the chairman, is collectively responsible for formulating and approving the business strategies of the Company, setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies.

The Company is committed to achieving long term success of the Company and to safeguard the interests of the shareholders of the Company and other stakeholders. To this end, the Board assumes the responsibilities for leadership and control of the Company and oversees the businesses, strategic development, financial performance and corporate governance of the Group.

The executive Directors are responsible for day-to-day management of the Company's operations and conduct meetings with senior management of the Group at which operational issues and financial performance are evaluated.

Board Composition

The Board currently comprises of three executive Directors and three independent non-executive Directors. The list of Directors and their biographies are set out under the section of "Corporate Information" and "Biographies of Directors and Senior Management" on page 2 and pages 31 to 33 respectively. The updated list of Directors and their role and function are published on the Company's website "www.ludao.cn" and on the Stock Exchange's website "www.hkexnews.hk". Save as disclosed in the section of "Biographies of Directors and Senior Management", the Directors have no other relationship (including financial, business, family or other material/relevant relationship(s)) with one another. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

As at 31 December 2025, the Board comprises three independent non-executive Directors which is in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors and representing more than one-third of the board, which is in compliance with Rule 3.10A of the Listing Rules. In addition, at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors of the Company are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business management which is in compliance with Rule 3.10(2) of the Listing Rules. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought to the Board's deliberations and that such views and judgement carry weight in the Board's decision making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements.

Corporate Governance Report

Prior to their respective appointment, each of the independent non-executive Directors have submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. As at the date of this annual report, the Company has also received a written confirmation from each independent non-executive Director in respect of their independence for the year ended 31 December 2025. Based on the contents of such confirmation, the Board considers these independent non-executive Directors to be independent under Rule 3.13 of the Listing Rules.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the executive Directors possess extensive experience in aerosol industry in the PRC, whilst the independent non-executive Directors possess professional knowledge and broad experience. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide adequate checks and balances to safeguard the interests of the Company and its shareholders.

Functions and Duties of the Board

The main functions and duties conferred on and performed by the Board include:

- (i) Overall management of the business and strategic development;
- (ii) Deciding business plans and investment plans;
- (iii) Convening general meetings and reporting to the shareholders of the Company;
- (iv) Exercising other powers, functions and duties conferred by shareholders in general meetings; and
- (v) Determining the policies for corporate governance practices.

The Board is responsible for performing the corporate governance duties as set out in the CG Code. The management is responsible for the daily management and operation of the Company.

Corporate Governance Report

Appointment, Re-election and Removal of Directors

The Company has adopted “Directors Nomination Procedures” as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. The procedures and process of appointment, re-election and removal of Directors are laid out in the Company’s Articles of Association (the “Articles”). According to Article 108(a) of the Articles and the code provision B.2.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company’s annual general meeting (“AGM”). Pursuant to Article 112 of the Articles, any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until and submit himself/herself for re-election by shareholders at the first AGM after his/her appointment. Pursuant to the code provision B.2.3 of the CG Code, any further appointment of an independent non-executive Director, who has served the Board for more than nine years, shall be subject to a separate resolution to be approved by shareholders at general meeting. All Directors are appointed for a specific term.

In accordance with the Articles and the CG Code, Mr. Yu Yuerong (“Mr. Yu”) and Mr. Ruan Lianfa (“Mr. Ruan”) shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. The Board and the nomination committee (the “Nomination Committee”) recommend their re-appointment. Mr. Yu’s and Mr. Ruan’s professional background, knowledge and experience will continue to contribute to the Board’s diversity and effective functioning. Mr. Ruan, appointed as an Independent Non-executive Director on 16 September 2013, has served the Board more than nine years. Pursuant to code provision B.2.3 of the CG Code, his further appointment will be subject to a separate resolution approved by shareholders at the forthcoming AGM.

The Company’s circular, published together with this annual report on the Company’s website “www.ludaocn.com” and on the Stock Exchange’s website “www.hkexnews.hk”, contains detailed information of the above two Directors as required by the Listing Rules.

Directors Nomination Procedures

Pursuant to the Directors Nomination Procedures, the Company considers a number of criteria in evaluating and selecting candidates for directorships, including but not limited to (i) character and integrity; (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy; (iii) willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments; (iv) the number of existing directorships and other commitments that may demand the attention of the candidate; (v) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; (vi) board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board knowledge and experience that are relevant to the Company’s business and corporate strategy; and (vii) other perspectives appropriate to the Company’s business.

Corporate Governance Report

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

The Nomination Committee will review the Directors Nomination Procedures annually to ensure its continued effectiveness.

Board Independence

The Board has established mechanisms to ensure independent views and inputs are available to the Board. The summary of the mechanisms is set out below:

(i) *Composition*

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

(ii) *Independence Assessment*

The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

Corporate Governance Report

(iii) Compensation

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) Board Decision Making

Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

A Director (including independent non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

The Board has reviewed the implementation and effectiveness of such mechanisms during the year and considered it was appropriate and effective.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive Directors have been appointed for an initial term of three years. Each of the Company's independent non-executive Directors are subject to re-election.

Meetings with the Independent Non-Executive Directors

Pursuant to the code provision C.2.7 of the CG Code that the chairman of the Board should hold meetings with the independent non-executive directors at least annually without the presence of other directors. During the year ended 31 December 2025, one meeting was held between the chairman of the Board and the independent non-executive Directors, with each of the independent non-executive Directors present. The chairman of the Board will continue to make arrangements for holding at least one meeting with the independent non-executive Directors for every subsequent year.

Corporate Governance Report

DIRECTORS' TRAINING

All newly appointed board members are required to receive an induction to ensure that he/she has a proper understanding of the business and operations of the Group and that he/she is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements. All Directors should participate in continuous professional development regarding the Listing Rules and other applicable regulatory requirements on an ongoing basis to develop and refresh their knowledge and skills in compliance with the CG Code. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2025, the Directors including Mr. Yu, Mr. Wang Xiaobing, Ms. Pan Yili, Mr. Chan Yin Tsung, Mr. Ruan and Ms. Yau Kit Kuen Jean have confirmed that they have participated in continuous professional development by attending training courses, meetings and/or reading reference materials on the topics related to updates on corporate governance and regulations and updates of accounting standards.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibility for performing corporate governance duties to an independent compliance adviser. The compliance adviser is responsible for assisting the Board in discharging its corporate governance duties as follows: (a) to develop and review the Company'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 Directors and senior management; (c) to review and monitor the Company'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 employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board are based on meritocracy, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the manufacturing and aerosol industry, experience in international trade, finance and corporate management, to professional qualifications in the business management accounting fields. Each Director had accumulated experience in his/her respective field of expertise for over 10 years, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company.

Corporate Governance Report

The Board currently has two female Directors and as such has achieved gender diversity in respect of the Board. The Board targets to maintain at least the current level of the female representation, with the ultimate goal of achieving gender parity. The Nomination Committee will continue to use its best efforts to identify and recommend suitable candidates to act as Directors to the Board for its consideration.

The Company's diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the year ended 31 December 2025. As of the date of this annual report, approximately 67% of Directors and approximately 52% of total workforce (including senior management) were male. The Company will continue to take steps to promote diversity, including gender diversity, at workforce levels.

The Board has reviewed the implementation and effectiveness of the board diversity policy during the year and considered it was appropriate and effective.

Board Meetings

Appropriate notices were given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are normally provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

The company secretary of the Company (the "Company Secretary") is responsible for keeping minutes of all Board meeting and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable period of time after each meeting and the final version is opened for all Directors' inspection.

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

Pursuant to the code provision C.5.1 of the CG Code, it is recommended that the Board should meet regularly and Board meetings should be held at least four times a year. During the Reporting Period, there were four Board meetings held.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee of the Company (the “Audit Committee”), the remuneration committee of the Company (the “Remuneration Committee”) and the Nomination Committee, for overseeing particular aspects of the Company’s affairs. All Board committees of the Company have been established with defined written terms of reference which are posted on the Company’s website “www.ludao.cn.com” and on the Stock Exchange’s website “www.hkexnews.hk”. All the Board committees should report to the Board on their decisions or recommendations made. All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code.

The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of the external independent auditor, and any questions of its resignation or dismissal. It is also responsible for reviewing Company’s financial information and overseeing the Company’s financial reporting system, risk management and internal control procedures.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Yin Tsung (being the chairman of the Audit Committee), Mr. Ruan Lianfa and Ms. Yau Kit Kuen Jean. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

The terms of reference setting out the Audit Committee’s authority and duties are available on both websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee has held three meetings. The meetings covered the review of the interim and annual financial results and reports, financial reporting, the Company’s internal control and risk management review and process, and included discussion on the potential change of the Company’s external independent auditor.

The Audit Committee has reviewed, together with the management and the Group’s external independent auditor, the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the Reporting Period and this annual report.

Corporate Governance Report

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 16 September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the remuneration package of the Directors and senior management. The remuneration policy for the Directors and senior management was based on their experience, level, responsibility and general market conditions.

The terms of reference setting out the Remuneration Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises four members, being three independent non-executive Directors, namely, Mr. Chan Yin Tsung (being the chairman of the Remuneration Committee), Ms. Yau Kit Kuen Jean, Mr. Ruan Lianfa, and one executive Director, Mr. Yu.

During the Reporting Period, two meetings were held to review and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and on the Director's fee of independent non-executive Directors.

Pursuant to the CG Code, the remuneration of the members of the senior management (other than Directors) whose particulars are contained in the section headed "Biographies of Directors and Senior Management" in this annual report for the year ended 31 December 2025 by band is set out below:

Remuneration Bands	Number of Senior Management
Nil to HK\$1,000,000	2

Remuneration Policy

The remuneration of Directors and senior management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions.

Corporate Governance Report

NOMINATION COMMITTEE

The Company established the Nomination Committee on 16 September 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment or re-appointment of Directors and the senior management as well as the succession planning for Directors, ongoing review the structure, size, composition and diversity of the Board on a regular basis and monitor the training and continuous professional development of Directors and senior management.

The terms of reference setting out the Nomination Committee's authority and duties are available on both websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises four members, being three independent non-executive Directors, namely, Ms. Yau Kit Kuen Jean (being the chairlady of the Nomination Committee), Mr. Chan Yin Tsung, Mr. Ruan Lianfa and one executive Director, Mr. Yu.

During the Reporting Period, the Nomination Committee has held two meetings to review the structure, size, composition and diversity of the Board, review the independence of the independent non-executive Directors, consider the qualifications of the retiring Directors standing for election at the 2025 annual general meeting of the Company, review the board diversity policy of the Company and review the Directors Nomination Procedures.

DIRECTORS' ATTENDANCE

Set out below are details of the attendance record of each Director at the Board, committee and general meeting of the Company held during the Reporting Period:

	Meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
<i>Executive Directors</i>					
Mr. Yu Yuerong (Note 1)	4/4	N/A	2/2	2/2	1/1
Mr. Wang Xiaobing (Note 2)	4/4	N/A	N/A	N/A	1/1
Ms. Pan Yili	4/4	N/A	N/A	N/A	1/1
<i>Independent Non-Executive Directors</i>					
Mr. Chan Yin Tsung (Note 3)	4/4	3/3	2/2	2/2	1/1
Mr. Ruan Lianfa	4/4	3/3	2/2	2/2	1/1
Ms. Yau Kit Kuen Jean (Note 4)	4/4	3/3	2/2	2/2	1/1

Notes:

1. Chairman of the Company
2. Deputy Chairman of the Company
3. Chairman of the Audit Committee and the Remuneration Committee
4. Chairlady of the Nomination Committee

Corporate Governance Report

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring the procedures are followed and the activities of the Board are efficiently and effectively conducted. The Company Secretary also ensures that the Board is fully abreast of the relevant legislative, regulatory and corporate governance developments relating to the Group.

The Company Secretary reports to the chairman and chief executive officer, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules. The position of the Company Secretary is held by Mr. Ho Ka Wai ("Mr. Ho"). The biographical details of Mr. Ho are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

During the Reporting Period, Mr. Ho took not less than 15 hours of relevant professional training to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing this annual report and the financial statements of the Company for the year ended 31 December 2025.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view and that relevant statutory requirements and applicable accounting standards are complied with.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going-concern.

EXTERNAL INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 December 2025, the fee payable to WM CPA Limited in respect of its statutory audit services and non-audit services of the Group provided to the Company were approximately RMB1 million and Nil respectively.

EXTERNAL INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2025 were audited by WM CPA Limited, who was appointed as the Company's auditor on 29 November 2023 to fill the casual vacancy arising from the resignation of BDO Limited on 29 November 2023. Save as disclosed above, there has been no other change of external independent auditor for the three years immediately preceding this annual report.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems of the Group, the systems include a defined management structure with limited authority and were designed to achieve business objectives, safeguarding assets against unauthorised use or disposition, ensuring the maintenance of reliable financial and accounting records and compliance of applicable laws, rules and regulations and key risks that may impact the Group performance.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The objectives of the risk management and internal control systems of the Group are to identify and manage the risk of the Group within acceptable safety levels and to achieve the objectives of the Group.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. We have adopted a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Group's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of key internal control procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. A risk matrix is adopted to determine risk rating (H = high risk, M = medium risk, L = low risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of attention of the management and the effort of risk treatment required.

PROCESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group adopted three levels of risk management process to identify, analyse and evaluate and manage material risks. The first level is to ensure all department heads to understand their roles and responsibilities to identify, analyse and evaluate and monitor the risk associated with the operation and/or transaction they are responsible for. The second level is the management of the Group to oversee the risk management activities of the first level and providing ongoing monitoring to the first level and reporting issue to upper level. The final level is the Audit Committee, with the advices from the management from the second level and opinions and findings from external independent auditor and performing regular review, to ensure the effectiveness of the Group's risk management and internal control systems.

Corporate Governance Report

During the process of risk assessment, each of the risk owners of departments is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration of the effectiveness of the risk response, such as control measures in place to mitigate the risk, the residual risk of each key inherent risk is evaluated again. The risk rating is determined by considering the inherent risk and control risk. The risk register with the key risk responses and key risk ratings is reported to the Board and the Audit Committee.

The Audit Committee conducted regular reviews on the effectiveness of the Group's risk management and internal control systems on behalf of the Board annually during the Reporting Period, which covers all material controls, including financial, operational and compliance controls as well as risk management functions. The management has provided a confirmation to the Audit Committee on the effectiveness of these systems during the year ended 31 December 2025.

The Group currently has no internal audit function and the Board reviewed that it is more cost effective to engage an external independent adviser instead of recruiting a team of internal audit staff to perform such annual review function.

The Company engaged a professional firm as an independent advisor to conduct internal control review of the Group for the year ended 31 December 2025. The internal control review report listed out certain findings of the minor weaknesses identified regarding the relevant cycles and procedures with recommendations proposed for the Company to further improve its internal control system. No significant deficiency was identified during the review and the result from the internal control review report has been reported to the Board and the Audit Committee and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks. The Board and the Audit Committee considered the risk management and internal control systems are effective and adequate.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has formulated policies on handling and dissemination of inside information and regularly reminded the Directors and employees of the Group to comply with all policies adopted by the Company regarding inside information including the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code") in relation to dealings in securities of the Company. Such policies are subject to review on a regular basis.

Corporate Governance Report

To be certain that all the staff members in the Group are aware of the inside information handling, the Group's 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 and procedures regarding keeping the sensitive information confidential and ensuring the confidentiality terms are in place in the significant agreements. Other procedures including sending blackout period and securities dealing restrictions notification to the relevant Directors and employees timely, disseminating information to specified persons on a need-to-know basis have also been implemented by the Group against possible mishandling of inside information within the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct of the Group regarding Director's securities transactions. The Company has made specific enquiry with all Directors and the Directors confirmed that they had complied with the Model Code during the Reporting Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the environmental, social and governance practices adopted by the Group is set out in the section headed "Environmental, Social and Governance Report" ("ESG Report") of this annual report.

WHISTLE-BLOWING POLICY AND ANTI-CORRUPTION POLICY

Policies regarding the whistle-blowing, anti-corruption and anti-bribery are established. Detailed information on the policies is set out in the ESG report of this annual report from page 61 to page 62.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there was no changes in the Company's constitutional documents.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations in order to ensure all shareholders' equal access to information. In addition, during the Reporting Period, the Company has proactively taken the following measures to ensure effective shareholders' communication and transparency:

- maintained frequent contacts with shareholders and investors through various channels such as meetings, telephone and emails;
- regularly updated the Company's news and developments through the investor relations section of the Company's website;

Through the above measures, the Company endeavours to communicate with the investment community and provide them with the latest development of the Group and the PRC aerosol industry.

Shareholders may send their enquiries and concerns in writing to the Board or the Company Secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the shareholders will have equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. Information will be communicated to the shareholders through the Company's website, corporate email, financial reports, AGMs and other extraordinary general meetings that may be convened as well as all the published disclosures submitted to the Stock Exchange.

The Company has reviewed the implementation and effectiveness of the shareholder communication policy during the year and conclude that it is effective.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

- (1) Shareholder(s) holding on the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 64 of the Articles by sending a written requisition to the Board or the Company Secretary. The objective of the meeting must be stated in the written requisition.
- (2) If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 113 of the Articles, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and shall end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of shareholders.

All resolutions proposed at shareholder meetings will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ludao.cn) respectively immediately after the relevant general meetings.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yu Yuerong (虞岳榮), aged 58, was appointed as the chairman and executive Director of the Company on 25 May 2012. He is also a member of the Remuneration Committee and Nomination Committee. Mr. Yu is the founder of the Group and is primarily responsible for the overall strategic planning and corporate policy making for the operational direction of the Group. Mr. Yu obtained a bachelor's degree in Business Administration from the Open University of China* (中央廣播電視大學) via distance learning in April 2000, and graduated from a Finance and Commerce Programme for Senior Director* (工商管理高級總裁研修班) conducted by Continuing Education of Zhejiang University* (浙江大學繼續教育學院) in 2008. Mr. Yu also obtained a master degree in business administration in Fudan University in June 2022. Mr. Yu has over 29 years of extensive experience in PRC's factory operation and corporate management. Prior to joining the Group, Mr. Yu has worked in the capacity of manager and chairman respectively for Taizhou Yizhou Industrial Company* (台州一洲工業公司) from June 1992 to February 1998 and Zhejiang Huangyan Yizhou Group Limited* (浙江黃岩一洲集團有限公司) from March 1998 to August 2003, both of which are engaged in the production of daily-use chemical products, and Mr. Yu was responsible for managing the overall manufacturing operation of the factories.

Mr. Yu is the sole director of Ludao China Investments Holdings Limited, a controlling shareholder of the Group holding approximately 50.96% of the total issued share capital of the Company.

Mr. Wang Xiaobing (王小兵), aged 51, was appointed as an executive Director of the Company on 16 May 2014 and also appointed as deputy chairman of the Company on 30 September 2022. Mr. Wang joined the Group in 2010 as the head of research and development department and was primarily responsible for overseeing the research and development centre and monitoring the quality control of the Group. He is currently the general manager of Zhejiang Ludao Technology Co., Ltd. ("Ludao PRC") and primarily responsible for the overall operation management. Prior to joining the Group, Mr. Wang had worked for a subsidiary of China Flavors and Fragrances Company Limited (now known as China Boton Group Company Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 3318) in various capacity including engineer, technical manager and general supervisor of the department for daily-use fragrance and flavors. He has professional and managerial experiences in research and development on daily chemical products and technical communication and services. Mr. Wang studied applied chemistry and graduated from the Nanchang Vocational Technology Normal University* (南昌職業技術師範學院) in July 1998.

Mr. Wang has interest in 1,200,000 shares of the Company, representing approximately 0.24% of the total issued share capital of the Company.

Ms. Pan Yili (潘伊莉), aged 50, was appointed as an executive Director of the Company on 11 June 2012. Ms. Pan has over 19 years of corporate marketing and management experience. Ms. Pan joined the Group in 2003 and is primarily responsible for formulating overall business strategies and market development of the Group. She obtained a graduate certificate in Chemical Engineering in June 1993 from Vocational School of Huangyan* (黃岩市職業技術學校). Ms. Pan received a bachelor's degree in Business Administration from the Open University of China* (中央廣播電視大學) via distance learning in January 2012. Prior to joining the Group, Ms. Pan has worked in the capacity of strategic planner and financial capital operations officer for Zhejiang Huangyan Yizhou Group Limited* (浙江黃岩一洲集團有限公司) from January 1999 to February 2003, which is engaged in the production of daily-use chemical products.

* For translation and identification purposes only

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung (陳彥聰), aged 46, serves as an independent non-executive Director, the chairman of the audit committee and remuneration committee and a member of nomination committee of the Company since 1 November 2016. Mr. Chan obtained a bachelor's degree in commerce from the University of British Columbia in November 2001, obtained a master's degree in financial analysis from the Hong Kong University of Science and Technology in November 2011, and obtained an executive master's degree in business administration from the Peking University in January 2022. Mr. Chan is a Certified Public Accountant of the American Institute of Certified Public Accountants.

Mr. Chan has over 23 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modelling and business valuation. From November 2003 to July 2010, he held relevant positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan served the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011, and served the private equity department of the same company as a senior manager from June 2011 to July 2012.

Mr. Chan serves as an independent non-executive director and the chairman of the audit committee of Beijing Jingneng Clean Energy Co., Limited (a company listed on the Main Board of the Stock Exchange, stock code: 579) from December 2016 to August 2023, and a member of the legal and compliance management committee of the same company from January 2021 to August 2023. Mr. Chan serves as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Bonny International Holding Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1906) since July 2020.

Mr. Ruan Lianfa (阮連法), aged 72, was appointed as an independent non-executive Director of the Company on 16 September 2013. He is also a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Ruan holds both bachelor degree in Civil Engineering and a master degree in Management from Zhejiang University* (浙江大學) in February 1980 and April 1996 respectively. Since his graduation in 1980, Mr. Ruan has served as a lecturer and a researcher in Zhejiang University* (浙江大學), head of the Civil Engineering Management Research Institute* (土木工程管理研究所所長) of Zhejiang University* (浙江大學) and the dean of Continuing Education of Zhejiang University* (浙江大學繼續教育學院院長).

Ms. Yau Kit Kuen Jean (丘潔娟), aged 57, was appointed as an independent non-executive Director of the Company on 7 July 2017. She is also the chairlady of the Nomination Committee and a member of Audit Committee and Remuneration Committee. Ms. Yau holds an honorary bachelor degree of specialized studies major (finance management) from the Ohio University, the United States. She is a licensed person registered with the Securities and Future Commission of Hong Kong for type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities. She also holds certificates from the Stock Exchange for stock brokerage, automatic trading system, options trading officer and representative, and options clearing officer.

* For translation and identification purposes only

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Yau has over 24 years of experience in trading and sales of securities and trading of futures contracts. From 1999 to 2002, She was a securities trading manager of Citibank. From 2003 to 2012, Ms. Yau held various positions such as an associate director of the securities sales department of CITIC Securities Company Limited and a vice president of the securities sales department of CITIC Securities (HK) Company Limited. In January 2013, Ms. Yau joined BOCOM International Securities Limited as a vice president of the equity business department.

SENIOR MANAGEMENT

Mr. Ho Ka Wai (何嘉偉), aged 43, was appointed as the Company Secretary and authorised representative of the Company on 13 January 2017. Mr. Ho holds a bachelor's degree of Bachelor of Business Administration from the Lingnan University. He is a member of the Hong Kong Institute of Certified Public Accountants and member of the Hong Kong Chartered Governance Institute. Mr. Ho has over 19 years of experience in accounting and auditing.

Mr. Wang Yongfei (王永飛), aged 50, is the chief production officer of Ludao PRC and joined the Group in 2003. Mr. Wang is primarily responsible for overseeing the production operation of the Group. Mr. Wang has over 29 years of extensive experience in factory production management. Prior to joining the Group, Mr. Wang was a production supervisor of a manufacturer from 1995 to 2001 in the PRC that is engaged in the production of daily-use chemical products and Mr. Wang was responsible for the management of the manufacturing operation.

Environmental, Social and Governance Report

ABOUT THIS REPORT

China Luda Technology Company Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) – “Environmental, Social and Governance Reporting Code” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – (i) research and development, manufacture and sale of aerosol and related products (“aerosol business”) in the People’s Republic of China (“PRC”); (ii) clean energy business of collection and utilisation of sewage source thermal energy (“clean energy business”) in the PRC; and (iii) investment holding business in Hong Kong. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the Reporting Period from 1 January 2025 to 31 December 2025.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by sending us your recommendation to our office at Unit 2003, 20/F., Dah Sing Financial Centre, 248 Queen’s Road East, Hong Kong.

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INTRODUCTION

As one of the few top leading manufacturers of the aerosol products in the PRC, our Group is principally engaged in the research and development, manufacture and sale of aerosol products for household and auto care, air fresheners, personal care product and insecticides and wholesale of personal care products and production-related materials. We sell our products on contract manufacturing service (“CMS”) basis to overseas markets and on original brand manufacturing (“OBM”) basis in the PRC market. Meanwhile, the Group also expands the market in the PRC on CMS basis gradually. Our products can be divided into four major categories, namely (i) household and auto care products, (ii) air-fresheners, (iii) personal care products, and (iv) insecticides.

The Group also continue to explore the wholesales business to sell personal care and production-related materials in the PRC during the Reporting Period.

The Company is aware of the importance of having a reciprocal relationship with the society. The Board and management of the Company are committed to establishing good standards in environmental, social and corporate governance practices. Apart from pursuing corporate profits, the Group also takes into consideration the sustainable development of the environment, the society and corporate governance in all aspects of the business operation of the Group, so that those standards could be sustained.

In July 2017, the Company has acquired a group company which engages in clean energy business of collection and utilisation of sewage source thermal energy in the PRC, laying a foundation for entering and exploring the huge market of new energy utilisation. The Group hopes to bring long-term sustainability and environmental protection by utilising this new green energy to provide both heating and cooling services to the public to replace conventional energy.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group’s business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group’s activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group’s roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

Environmental, Social and Governance Report

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels	Measures
Government	- Comply with applicable laws and regulations - Proper tax payment - Promote regional economic development and employment	- On-site inspections and checks - Research and discussion through work conferences, work reports preparation and submission for approval - Annual and interim reports - Website	- Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation for example, accepted certain 1-2 on-site inspections throughout the year), and actively undertook social responsibilities
Shareholders and Investors	- Low risk - Return on investment - Information disclosure and transparency - Protection of interests and fair treatment of shareholders	- Annual general meeting and other shareholder meetings - Annual and interim report, announcements	- Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars/annual and interim reports - Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing upon necessary - Disclosed company contact details on website and in published reports and ensured all communication channels are available and effective

Environmental, Social and Governance Report

Stakeholders	Expectations	Engagement channels	Measures
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualization – Health and safety	– Trainings, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; cared for employees by helping those in need and organized employee activities
Customers	– Safe and high-quality products – Stable relationship – Integrity – Business ethics	– Company website, brochures and annual reports – Email – Customer service hotline	– Established committee to maintain good communication – Held regular online customer satisfaction survey to understand our customer's satisfaction levels with our products and services
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process	– Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors
Financial institution	– Compliance with applicable laws and regulations – Information disclosure	– Consulting – Information disclosure – Reports	– Provided annual and interim reports
Public and Communities	– Social responsibility – Open information	– Community engagement – Information disclosure	– Engaged in charity and volunteering – Disclosed information timely

Environmental, Social and Governance Report

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group have adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Code (Appendix C2 of the Listing Rules) and the guidelines of GRI Guidelines.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Code (Appendix C2 of the Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG area identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which is important to the business development, were reported and in compliance with ESG Reporting Code.

As a result of this process carried out in 2025, those important ESG areas to the Group were discussed in this Report.

Environmental, Social and Governance Report

ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues

The board of directors ("Board") has a primary role in overseeing the management of the Group's sustainability issues. During the year, the Board and the ESG Working Group spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management to have all the right tools and resources to oversee the ESG issues in the context of strategy and long-term value creation.

ESG Working Group

To demonstrate our commitment to transparency and accountability, our Group has established an ESG Working Group, which has clear terms of reference that set out the powers delegated to it by the Board. We highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group. During the year ended 31 December 2025 (the "Reporting Period"), the ESG Working Group consisted of 6 members, including 3 executive directors and 3 independent non-executive directors.

The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the Working Group at the meetings, which holds annually. During the Reporting Period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this can enhance understanding of their degree and change of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

Environmental, Social and Governance Report

Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets should be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and target process with key stakeholders such as employees is essential, as this enables them to be engaged in the implementation process, and to feel they are part of the change that the company aspires to achieve.

Setting strategic goals for the coming three to five years enables the Group to develop a realistic roadmap and focus on results in achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets which should be weighed against the company's ambitions and goals. During the year, our Group set targets on an absolute basis.

CLIMATE-RELATED DISCLOSURES

The Group recognises that climate change may create both risks and opportunities that could affect its operations and long-term development. In response to the enhanced disclosure requirements under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group has considered climate-related matters within its governance, strategy, risk management and operational decision-making processes.

During the reporting period, the Group continued to monitor climate-related developments and to improve its understanding of potential climate-related risks and opportunities relevant to its business.

GOVERNANCE

The Group addresses climate-related risks based on the nature of the risk to its operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's ESG Working Group.

Supported by the ESG Working Group, the Board oversees climate-related issues and risks and considers how such matters may be relevant to the Group's strategy and long-term development. The Group also seeks to keep relevant management and governance personnel aware of relevant climate-related developments where appropriate.

Environmental, Social and Governance Report

The ESG Working Group supports the integration and consideration of ESG matters, including climate-related matters, within the Group's business. It works with relevant operational departments to facilitate a more consistent approach to ESG- and climate-related matters and reports relevant issues to management as appropriate.

STRATEGY

Climate-related risks form part of the Group's overall risk profile. The Group considers that changes in climate conditions, more frequent or severe extreme weather events, and changes in policy, regulation, technology and customer expectations may affect the Group's operations, supply chain, production arrangements and cost structure.

The Group continues to explore opportunities to enhance climate resilience and reduce its environmental footprint by considering energy-saving measures, operational improvements and more efficient management of resources. The Group also considers possible changes in the external environment, including stricter environmental policies, carbon-related regulatory developments, advances in technology and changing stakeholder expectations.

In the context of the Group's business as a manufacturer of aerosol products, climate-related matters may affect raw material procurement, energy consumption, production efficiency, facility management and logistics arrangements. Where climate-related measures progress further, the Group may face increased compliance costs and operational adjustments; where such measures do not progress adequately, physical risks such as flooding, extreme weather and supply chain disruptions may become more significant.

The Group will continue to review the suitability of its climate-related approach in light of operational needs, regulatory developments and stakeholder expectations.

RISK MANAGEMENT

The Group identifies climate-related risks and opportunities with the aid of risk assessment and ongoing management review, so that areas requiring additional response or attention may be identified. The Group considers climate-related matters in the context of its broader risk management framework.

In assessing climate-related risks, the Group may consider factors such as the nature of the risk, the time horizon, potential impacts on operations, supply chain and production, and possible financial implications. Relevant departments and management review operational conditions, external developments and regulatory changes that may give rise to climate-related risks or opportunities.

Environmental, Social and Governance Report

During the reporting period, the Group continued to raise awareness of climate-related matters through monitoring of carbon- and energy-related indicators in its daily operations. The Group will continue to review and refine its climate-related risk identification and management approach as its internal data, experience and management practices develop further.

Significant Climate-related Issues

During the Reporting Period, the Group considered climate-related physical risks and transition risks that may affect its business, including operations, supply chain, production arrangements, capital expenditure and financial planning.

Physical risks may include acute events such as typhoons, flooding, heavy rainfall, strong winds and other extreme weather events, which could disrupt factory operations, logistics arrangements and supply chain stability, increase operating costs or damage facilities. Chronic physical risks, such as prolonged hot weather, may increase energy consumption, affect production efficiency and create additional operational pressures.

Transition risks may include changes in environmental laws and regulations, energy efficiency requirements, carbon-related regulatory developments, technology changes, changing market expectations and reputational considerations. These factors may lead to increased compliance costs, equipment upgrade needs, higher production costs, changes in customer demand or additional management attention to environmental performance.

To address these risks, the Group continues to monitor relevant regulatory developments and operational conditions, improve facility and production management, strengthen emergency preparedness where appropriate, and consider energy-saving and efficiency-enhancing measures in its operations.

During the Reporting Period, the Group also noted potential climate-related opportunities, including improving resource efficiency, enhancing energy efficiency, upgrading equipment and strengthening operational resilience. The Group will continue to review these matters in light of business development and future operational needs.

Environmental, Social and Governance Report

METRICS & TARGETS

The Group uses key environmental indicators to assess and manage climate-related risks and opportunities arising from its operations. The primary metrics monitored by the Group include energy consumption and greenhouse gas (“GHG”) emissions. These indicators are considered material to evaluating the environmental impact of the Group’s operations and the potential exposure of the Group to climate-related risks associated with energy use and carbon emissions.

The Group regularly monitors and reviews its energy consumption and GHG emissions performance in order to assess the effectiveness of energy efficiency and emission reduction initiatives implemented across its operations. The Group’s climate-related metrics are primarily derived from the environmental performance data disclosed in section A1 “Emissions” and section A2 “Use of Resources” of this Report.

For the year ended 31 December 2025, the Group’s total GHG emissions were approximately:

- **Scope 1 emissions:** 220.31 tonnes of CO₂ equivalent
- **Scope 2 emissions:** 5,381.79 tonnes of CO₂ equivalent
- **Total Scope 1 and Scope 2 emissions:** 5,602.10 tonnes of CO₂ equivalent

The Group’s greenhouse gas emissions are calculated in accordance with the **Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard**. Scope 1 emissions mainly arise from the combustion of fuels in stationary sources and vehicles operated by the Group. Scope 2 emissions represent indirect greenhouse gas emissions associated with purchased electricity consumed in the Group’s operations, which are calculated using the **location-based method** based on publicly available electricity grid emission factors and relevant government guidance. During the reporting period, the Group did not use contractual instruments such as renewable electricity certificates, green tariffs or power purchase agreements in relation to its purchased electricity consumption.

The Group uses operational environmental management goals in relation to emissions, energy, water and packaging materials as part of its broader environmental and climate-related management efforts. These goals are disclosed in sections A1 and A2 of this Report together with their relevant base year and measurement basis, and are not presented as separate formal climate-related targets under the climate-related disclosure framework. The Group will continue to review its climate-related management practices and the suitability of its targets and metrics in light of business development, operational needs and future data availability.

Environmental, Social and Governance Report

Climate-related capital expenditure

During the reporting period, the Group incorporated climate risk mitigation and adaptation considerations into certain operational and capital expenditure projects. These include measures such as improving energy efficiency, introducing higher energy-efficient equipment and enhancing production and facility management to reduce energy consumption and strengthen operational resilience.

These investments were primarily related to operational optimisation and were not separately classified as dedicated climate-related investments.

Carbon pricing

During the reporting period, the Group has not adopted an internal carbon pricing mechanism and has not formally incorporated carbon pricing considerations into its investment or operational decision-making processes.

The Group will continue to monitor regulatory and market developments relating to carbon pricing and assess the feasibility of introducing such mechanisms where appropriate.

Scope 3 emissions – preliminary screening

In accordance with the enhanced ESG disclosure requirements, the Group has conducted a preliminary screening of potential Scope 3 greenhouse gas emission categories within its value chain.

Based on this preliminary assessment, several Scope 3 categories may potentially be relevant to the Group's operations, including purchased goods and services, transportation and distribution, waste generated in operations and employee commuting.

The Group is currently at an early stage of evaluating its Scope 3 emissions and improving the collection of relevant activity data. The Group will continue to review the feasibility of quantifying relevant Scope 3 emissions and enhance its disclosure practices in future ESG reports as data availability improves.

Environmental, Social and Governance Report

A. ENVIRONMENTAL ASPECTS

As one of the world's leading manufacturers specializing in aerosol products, the Group recognizes that it has an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that are used in our daily operations. The Group promotes environmental stewardship throughout our business ecosystem by introducing a number of measures to enhance the environmental protection awareness among its employees, encouraging them to develop environment-friendly working habits and to take action in protecting the precious environment. The Group also pledges to uphold quality environmental management. The Group has continuously improved its environmental management systems, which is certified conforming to the higher level of international standards from ISO14001:2004 to ISO14001:2015. Based on ISO14001:2015, the group has implemented a set of internal policies and procedures for conserving resources, managing the wastes and minimising the pollution.

Throughout the year, the Group fully complied with all of the relevant environmental laws and regulations in the countries and regions, such as the Environmental Protection Law of the People's Republic of China in the PRC and the Air Pollution Control Ordinance (Cap. 311) in Hong Kong. Besides, no concluded cases regarding environmental issues were brought against the Group. As our Group continues to develop, we are committed to continuously improving the environmental sustainability of our business, ensuring that environmental considerations remain one of the top priorities in our daily business operations and that we fulfil our obligations to both the environment and community.

A1. EMISSIONS

As a manufacturer, the Group recognizes that it has ethical duties to reduce emissions. Given that most of our operations is manufacturing based, the Group engages a qualified testing company to conduct regular testing on air pollutants, wastewater and noise emitted or produced to ensure that their emission levels are within the allowable levels as stipulated in the relevant emission standards of the PRC. In the meantime, the Group fully complies with all of the relevant environmental laws and regulations in the countries and regions where we operate such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2015) in the PRC, the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611) and the Road Traffic Ordinance (Cap. 374) in Hong Kong. Besides, no concluded cases regarding emissions brought against the issuer or its employees during the year.

Environmental, Social and Governance Report

Air Pollutants Emission

Air pollutants emission control is vital to both environmental protection and the health of employees. The Group understands that its manufacturing process involves the use of different chemicals which causes various air pollutants emission, including volatile organic compounds (VOCs). The Group strives to improve the air quality. During the year, the Group implemented “Treatment Information to VOCs to control VOCs emission from source and production processes. The Group carries out testing regularly on the VOCs emission level to improve the VOCs management procedure.

The Group also strictly complies with “Ambient Air Quality Standards (GB3095-2012)”, “Integrated Emission Standard of Air Pollutants (GB16297-1996)”, etc. for the air pollutants emission. The exhaust gas is collected for handling to reduce the pollutants before emission to the atmosphere. Methods to reduce the air pollutants include cyclone dust collector and activated carbon absorption.

The Group’s air pollutant emissions are classified into two sources – stationary and mobile. During the Reporting Period, stationary source was our major source of air pollutant emission for manufacture of aerosol and related products. The slightly decrease in air pollutant emissions in 2025 was mainly attributable to the slightly decrease in the consumption of town gas and diesel. The Group targets to reduce the emission of air pollutants by 3% by 2028.

Environmental, Social and Governance Report

The air pollutant emission of the Group during the Reporting Period is as follows:

Type of Air Pollutants	Unit	Aerosol business	Clean energy business	Investment holding business	2025 Total	2024 Total
Nitrogen oxides (NO _x)	kg	616.41	0.68	–	617.09	630.68
Sulfur dioxide (SO ₂)	kg	76.89	0.13	–	77.02	78.69
Particulate matter (PM)	kg	15.67	0.13	–	15.80	16.10

Greenhouse Gas (“GHG”) Emission

GHG is considered as one of the major contributors to the climate change and global warming. The Group recognises that climate change is gradually concerned by the community as it affects our daily life and poses a risk to its business. Hence it committed to mitigating the effects of climate change and to protecting the health of employees.

Giving the majority of the GHG emission of the Group comes from energy consumption, the Group tackles the GHG emission by implemented “Greenhouse Gas Emission Management System” to monitor and control the GHG emission. Policies and procedures (as mentioned in the section “A2. Use of Resources”) to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint.

In 2017, the Group activity acquired a group company which was engaged in clean energy business of collection and utilisation of sewage source thermal energy in the PRC. This new clean energy can replace the use of conventional energy, such as burning of coal, to supply heat to the building. Regarding GHG emission of the Group, scope 1 direct emissions mainly consisted of combustion of fuels in stationary sources, combustion of fuels in mobile sources, and assimilation of carbon dioxides into biomass through planting of trees; and scope 2 indirect emissions mainly consisted of electricity purchased from power companies. During the Reporting Period, purchased was our major source of GHG emission. The increase in GHG emission in 2025 was mainly attributable to the increase in the consumption of purchased electricity and petrol as the result of increased operating activities. The Group targets to reduce the emission of greenhouse gas by 5% by 2028.

Environmental, Social and Governance Report

The GHG emission of the Group during the Reporting Period is as follows:

GHG Emission ¹	Unit	Aerosol business	Clean energy business	Investment holding business	2025 Total	2024 Total
Scope 1 ²	tonnes of CO ₂ -e	216.35	3.96	–	220.31	148.24
Scope 2 ³	tonnes of CO ₂ -e	3,302.61	2,076.08	3.10	5,381.79	5,147.82
Total GHG emission	tonnes of CO ₂ -e	3,518.96	2,080.04	3.10	5,602.10	5,296.06
GHG emission intensity	Aerosol: tonnes of CO ₂ -e/ tonnes of production	0.054			0.054	0.061
	Clean energy: tonnes of CO ₂ -e/m ²		0.006		0.006	0.007
	Investment: tonnes of CO ₂ -e/m ²			0.003	0.003	0.004

Hazardous and Non-hazardous Wastes

The Group recognizes the importance of waste reduction. Waste management measures have been introduced and implemented to minimize the amount of waste generated and the impact on the environment. The Group's "Solid Wastes Management System" provides guideline on classification, collection, storage and disposal of different wastes. Wastes are classified into hazardous waste, production waste and general waste by the Group. Each type of waste has specific storage location and collection procedures.

The hazardous wastes produced during our production process are separately stored with label and handled in accordance with the relevant PRC laws and regulations, for example, National Hazardous Waste Inventory (2008) during our production process. Besides, the Group has commissioned a qualified waste collector to handle and collect the hazardous waste produced in the aerosol product manufacturing process so as to minimize the impact on the environment.

For non-hazardous waste, the waste is mainly generated from daily office operation. The Group takes initiative to reduce waste by formulating effective measures. Generally, the Group has engaged qualified recycling companies to collect and handle the waste in accordance to the Prevention and Control of environmental Pollution by Solid Waste in the PRC and the Waste Disposal Ordinance (Cap. 354) in Hong Kong.

Environmental, Social and Governance Report

For office, the Group promotes the idea of green office by introducing more paperless solutions in its daily operations to reduce the volume of paper and printed materials used. The Group introduces knowledge on environmental protection to all employees and encourages them to consider environmental-friendly printing such as double-sided printing and copying. The Group also encourages employees to bring their own cups to the meeting to minimize the use of paper and paper cups. The daily operation of clean energy business and investment holding business for non-hazardous waste generation is not material for disclosure as the non-hazardous waste generated is insignificant. During the Reporting Period, the decrease in non-hazardous wastes amount in 2025 was mainly attributable to the compliance with our waste management policies during the year. The Group has set comprehensive reduction target by 5% reduction in non-hazardous waste generation by 2028.

The wastes generated by the Group during the Reporting Period are as follows:

Wastes disposal	Unit	Aerosol business	Clean energy business	Investment holding business	2025 Total	2024 Total
Hazardous waste	tonnes	10.14	–	–	10.14	11.02
Hazardous waste intensity	tonnes/tonnes of production	0.00015	–	–	0.00015	0.00023
Non-hazardous waste	tonnes	150.54	–	–	150.54	155.26
Non-hazardous waste intensity	tonnes/tonnes of production	0.0023	–	–	0.0023	0.0032

Wastewater

The Group has obtained pollutant emission permit for wastewater to ensure all wastewater generated during our production process can be safely handled according to the national safety standards before external discharge. There is a wastewater treatment facility in the Group's aerosol business. The wastewater generated during the production process needs to be treated before discharging to ensure it complies with the Integrated Wastewater Discharge Standard (GB8978-1996) in the PRC. During the Reporting Period, around 10,727.99 m³ (2024: 12,355.84 m³) of wastewater was treated and discharged, representing a decrease of approximately 13.2% (2024: an increase in 17.2%) as compared with that of in previous period. Wastewater is strictly forbidden to be mixed with rainwater. They are collected by two separate systems to prevent pollution to ground water.

Environmental, Social and Governance Report

A2. USE OF RESOURCES

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group has an in-depth understanding of the importance of safeguarding sustainable development of the environment and this to attach importance to efficient utilization of resources by introducing various measures in daily business operations. It understands that staff participation is the key to achieve such goals. The Group strives to build up a working environment that emphasizes the “Green office” and “Low Carbon” policy such as a set of guidelines to improve the efficient use of energy, water and other resources for long-term sustainability.

Energy

The Group considers environmental protection as an essential component of a sustainable and responsible business. With aims of resource saving and implementation of energy saving measures, the Group actively promotes the concept of energy saving and emission reduction into the entire process of its business development and operation. For example, the Group has established policies and procedures, including “Energy Saving and Emission Reduction Control Plan” to achieve these goals. In the meantime, the Group believes that increasing environmental awareness is the basis for energy reduction initiative. The Group carries out extensive promotion and educational activities in order to enhance employees’ awareness. Besides, the Group has implemented different measures to reduce energy consumption. For example, the temperature of air-conditioners should not be set below 26 degrees Celsius in summer and set above 20 degrees Celsius in winter. Smart use of lighting is encouraged by using natural light in day time to reduce the usage of lighting. Empty running of equipment, such as printers is not recommended and our staff are encouraged to switch off all the electronic appliances when leaving the office.

Apart from measures to reduce the use of electricity, the Group also sets guideline to effectively use the vehicles to reduce the fuel consumption. The Group chooses fuel-saving vehicles with high emission standards and improves the vehicles utilization by planning the travelling routes before staff use and goods delivery. Moreover, the Group strictly complies with the Energy Conservation Law of the People’s Republic of China and the relevant documents and regulations in the countries and regions where we operate. The Group is also planning to develop a long-term mechanism for energy management with the aim to review energy consumption and set target for energy reduction. With all these measures and energy planning, the Group hopes to use energy more effectively and efficiently to save resources for the environment.

Environmental, Social and Governance Report

The Group energy consumption is classified into five types – (i) purchases electricity, (ii) petrol, (iii) diesel oil, (iv) liquefied petroleum gas, and (v) Towngas. During the Reporting Period, purchased electricity was our major energy consumption source for daily office operation. The increase in total energy consumption in 2025 was mainly attributable to the increase in the consumption of purchased electricity and petrol as the result of increased operating activities and vehicle use. during the year. The Group has set inclusive total energy consumption reduction target by 3% by 2028.

The energy consumption of the Group in 2025 is summarised as follows:

Energy consumption	Unit	Aerosol business	Clean energy business	Investment holding business	2025 Total	2024 Total
Purchased electricity	MWh	6,639.75	4,256.00	5.17	10,900.92	9,599.15
Petrol	MWh	289.43	16.00	–	305.43	344.16
Diesel	MWh	171.08	–	–	171.08	180.21
Towngas	MWh	32.35	–	–	32.35	32.79
Total energy consumption	MWh	7,132.61	4,272.00	5.17	11,409.78	10,155.31
Energy consumption intensity	Aerosol:	0.148			0.148	0.132
	MWh/tonnes of production					
Clean energy:			0.0129		0.0129	0.0129
	MWh/m ²					
Investment:				0.005	0.005	0.006
	MWh/m ²					

Environmental, Social and Governance Report

Water

Water is another important resource used for the daily operation. Regarding water consumption for clean energy business in the PRC, it does not involve any water consumption during its daily business operation. In order to save water, water taps should be turned off right after using. Running, dripping and long-flowing water are avoided. In the manufacturing process of the aerosol business, the Group reuses water to reduce the water usage and closely checks the water recycling system to prevent leakage and wastewater discharged to the environment. The decrease in water consumption in 2025 was mainly attributable to the effective implementation of water saving policy during the year. The Group has set a reduction target of 5% in water consumption by 2028.

The water consumption of the Group during the Reporting Period is as follow:

Water	Unit	Aerosol business	Clean energy business	Investment holding business	2025 Total	2024 Total
Water consumption	m ³	267,737	–	–	267,737	401,312
Water consumption intensity	Aerosol: m ³ /tonnes of production	4.08	–	–	4.08	8.37

Packaging Materials

The major packaging materials used in our aerosol business are paper, metal and plastic, while there is no packaging material involved in our clean energy business and investment holding business. The increase in amount of packaging materials in 2025 was mainly attributable to the increased operating activities and the expansion of business during the year. The Group has set a reduction target of 5% in packaging materials by 2028.

The consumption of those materials of the Group during the reporting year is summarized below:

Packaging materials	Unit	Aerosol business	Clean energy business	Investment holding business	2025 Total	2024 Total
Paper	tonnes	3,960.08	–	–	3,960.08	3,742.10
Plastic	tonnes	2,181.98	–	–	2,181.98	1,919.22
Metal	tonnes	11,048.21	–	–	11,048.21	10,791.03
Packaging materials intensity	Aerosol: m ³ /tonnes of production	0.26	–	–	0.26	0.34

Environmental, Social and Governance Report

A3. THE ENVIRONMENT AND NATURAL RESOURCES

As a manufacturing company, we recognise our impact on the environment in our daily operations. To minimise the significant impact on the environment and natural resources, the Group has established “Environmental Management System” to outline procedures on planning and execution of environmental control programme in the operation. We comply with relevant laws and regulations, including Environmental Protection Law in the PRC. Besides, the Group has made achievement in sustainable development in the industry. Zhejiang Ludao Technology Co., Ltd., was awarded “浙江省清潔生產階段成果企業”. This shows that the management of the Group effectively implements measures for good environmental protection.

B. SOCIAL ASPECTS

The Group recognizes that maintenance of strong, healthy and friendly business relations with employees, supply chains, and a business is connected or expected to have a connection, whether internal or external, is the foundation for the Group’s success and development. The Group highly considers employees as important assets and is committed to earning respect from employees, maintaining work-life balance, and making them to grow together with us. With supporting business sustainable development, the Group works closely with suppliers to manage social risks. Besides, with a goal of understand the needs and interests of communities where the Group operates, the Group takes its own initiatives to actively contribute to the society in various ways.

Environmental, Social and Governance Report

B1. EMPLOYMENT

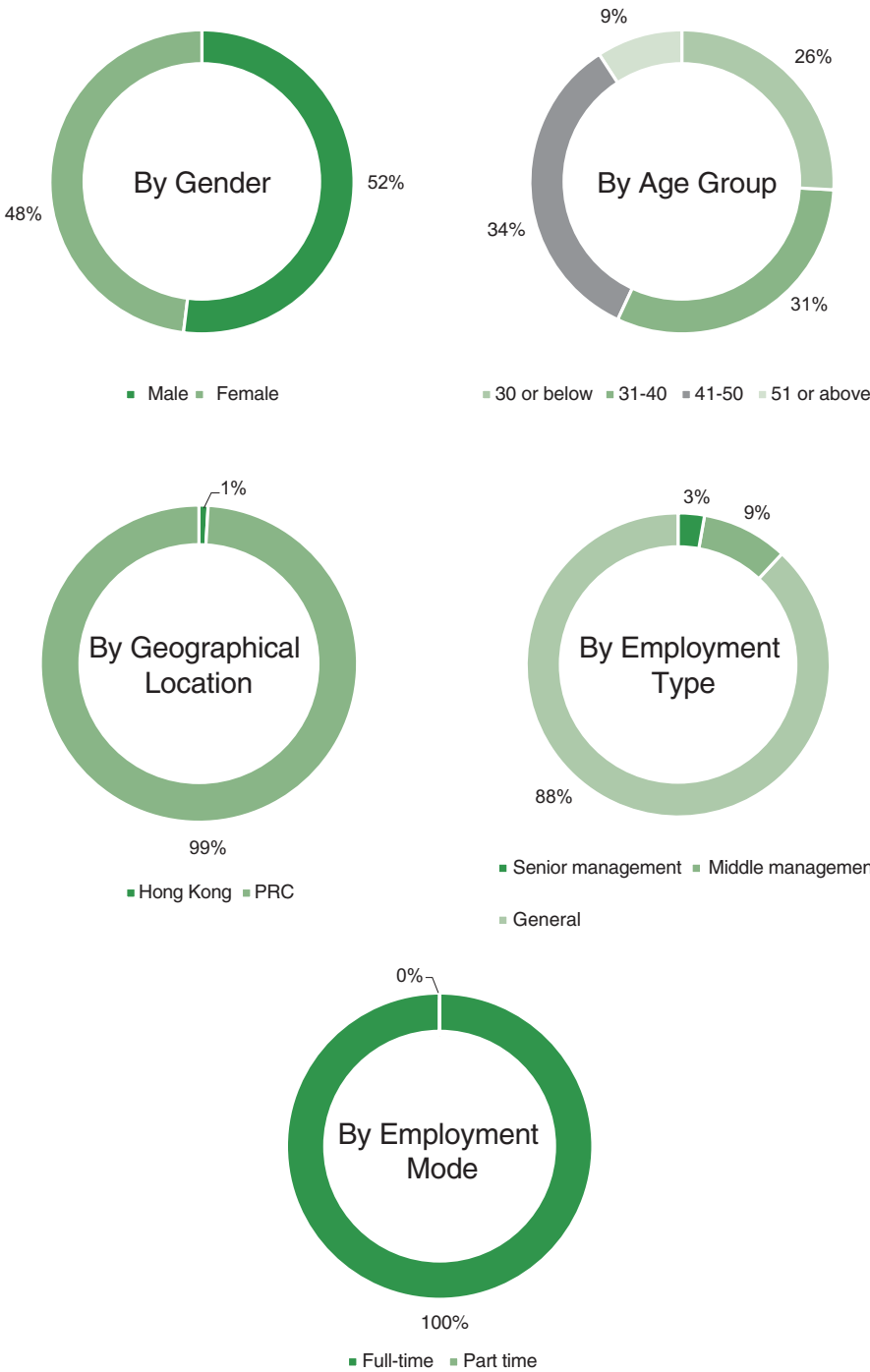
The Group values staff and the contribution that they make. It has a set of human resources management policies and procedures in place with the aim to provide a good working environment to employees where they can have a safe and healthy workplace to engage and perform to the satisfaction of the Group. These policies and procedures not only ensure the Group's compliance of the relevant labour laws and regulations in places where it operates, but also set out the Group's standard of staff recruitment, promotion guidelines, remuneration scale, working hours, rest breaks, holidays as well as termination of employment and compensation matters. Labour contracts or employment agreements are entered between the Group and the employees, which clearly state the relevant details in order to safeguard mutual interest and benefits. Besides, the Group has established various communication channels with its employees, including staff induction course and continuing educational seminars, regular staff and departmental meetings, internal publications and bulletin board, intranet communication, etc, with the aim to understand their needs. Specific form of communication can also be made subject to the communication content and characteristics of participants.

The Group respects the employees' rights. All of the employees of the Group are treated equally. Their employment, remuneration and promotion are not affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status. The Group formulates and regularly reviews the human resources plan in accordance with its development plan and strategic goals. Apart from making external recruitment plan for continuous injection of fresh blood to the Group, the Group forms internal staff training and talent reserve plan, and establishes all-level position selection and evaluation system to optimise human resources allocation and internal promotion in order to nurture prospective employees to be future leaders in their respective expertise areas.

The Group strictly complies with the national laws and the system of the Group, and to refuse violation of business ethics. Throughout the year, the Group fully complied with all of the relevant laws and regulations in the countries and regions, such as the Employment Ordinance (Cap. 57), the Minimum Wage Ordinance (Cap. 608), the Labour Law of the People's Republic of China, and other relevant regulations where we operated without violating the relevant rules and regulations including the workers' wages and overtime payments. Related benefits are made with reference to the local minimum wage standard. Holidays and statutory paid leaves are in compliant with the requirements in the PRC and Hong Kong.

Environmental, Social and Governance Report

At the end of the Reporting Period, the Group has 513 employees (2024: 486 employees) located in the PRC and Hong Kong. Below is the employee breakdown by gender, age group, employment category, employment mode and geographical region.



Environmental, Social and Governance Report

Employee compositions	2025	2024
By gender		
• Male	52%	52%
• Female	48%	48%
By age group		
• Age 30 or below	26%	22%
• Age 31-40	31%	34%
• Age 41-50	34%	33%
• Age 51 or above	9%	11%
By geographical region		
• Hong Kong	1%	1%
• PRC	99%	99%
By employment category		
• Senior management	3%	4%
• Middle management	9%	6%
• General	88%	90%
By employment mode		
• Full-time	100%	100%
• Part-time	–	–

The employee turnover rates by gender, age group and geographical region at the end of the Reporting Period are as follows:

Employment	Turnover rates (%)	
	2025	2024
By gender		
– Male	18%	25%
– Female	17%	27%
By age group		
– 30 years old or below	23%	42%
– 31-40 years old	18%	26%
– 41-50 years old	11%	20%
– 51 years old or above	26%	17%
By geographical region		
– PRC	18%	26%
– HK	–	–
Overall	18%	26%

Environmental, Social and Governance Report

B2. HEALTH AND SAFETY

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. In order to provide better safety working environment for all staff, the Group has obtained OHSAS 18001:2007 Occupational Health and Safety Management Certification which is an international standard to prove the Group has established an occupational health management system to identify, control and reduce the risks associated with health and safety within the workplace. In addition, the Group's system also strictly complies with the rules and guidelines stipulated in the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Occupational Safety and Health Ordinance (Cap.509) by the Labour Department in Hong Kong and any other applicable laws and regulations. The system can prevent, control and eliminate any occupational diseases. In order to ensure occupational safety and health of our employees in the production process, the Group has adopted the following key measures:

- Every employee must receive health and safety training before performing the job duty. Periodic self-rescue training courses are provided to employees.
- First aid equipment, such as emergency showers and eyewash facilities, is installed in the production sites. It is checked regularly to ensure that it is in good condition.
- Personal protective equipment is provided to employees.
- Annual medical check is offered to employees.

In addition, the Group has set up environmental, health and safety ("EHS") committee to regularly monitor the EHS situation and the result is recorded for reference. If any serious incident related to health and safety is detected, an analysis is carried out promptly and measures are formulated to prevent similar incident from happening. Our contractors are expected to follow the same health and safety standard when working with us. They are offered with training before starting the work.

Environmental, Social and Governance Report

B3. DEVELOPMENT AND TRAINING

The Group believes that retaining talents is a core part of sustainability development to strengthen its competitiveness. In order to enable staff to keep abreast of the aerosol industry and maintain high-quality organisation structure, the Group offers various training programs to employees according to their job positions, and earmarks funds for staff training based on operation needs and annual training plan each year. Training mainly focuses on safety and product knowledge which are our primarily concern as a manufacturing company. In addition, the Group has established a comprehensive training system and mechanism to provide on-job teaching and training for its employees with a view to enhancing skills and management capabilities of the staff to offer smooth promotion channels. Continuous assessment is conducted to keep track on the performance of employees. Based on the analysis of the development needs, the management of the Group keeps ongoing selection of outstanding candidates for priority training through various methods such as internal aptitude tests, on job trainings and examinations and seniors' recommendations. During the Reporting Period, the Group provided approximately 26,477 hours (2024: 26,669 hours) of internal and external training to its employees.

During the Reporting Period, the percentage of employees received training by gender and employment category was as follows:

Percentage of employees trained (%)	2025	2024
By gender		
• Male	75%	84%
• Female	79%	84%
By employment category		
• Senior management	81%	72%
• Middle management	49%	64%
• General	79%	87%
Overall	77%	84%

Environmental, Social and Governance Report

The detailed breakdown of the composition of employees trained and the average training hours completed per employee by gender and employee category is as follows:

Training	Average Training hours (hours/employee)		Composition of employee trained (%)	
	2025	2024	2025	2024
By gender				
• Male	58	62	51%	50%
• Female	47	55	49%	50%
By employment category				
• Senior management	38	35	4%	4%
• Middle management	37	43	5%	5%
• General	55	61	91%	91%

B4. LABOUR STANDARDS

The Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. The Group is strictly in compliance with the relevant laws and regulations, such as the Labor Law of the People's Republic of China. We pursue fair and equitable principle, promote equal opportunity in recruiting and promotion for employees and prohibit any kind of forced labor. The Group solely considers the knowledge, character, ability and experience of candidates to meet the appropriate conditions of service, regardless of his/her gender, race and family status, etc. The Group strictly complies with the Provisions on the Prohibition of Using Child Labor issued by the State Council of the People's Republic of China. According to the "Prohibition of Child Labour Control Procedure" of the Group, person under aged 16 is not allowed to work in the Group. The Group respects the right and freedom of employees as stipulated in "Prohibition of forced labour control procedure". During the Reporting Period, the Group did not have any cases related to child labour or forced labour.

Environmental, Social and Governance Report

B5. SUPPLY CHAIN MANAGEMENT

The Group relies on suppliers to supply different production materials, including raw materials, packaging materials, etc. We are aware of the potential environmental and social risks associated with our supply chain and committed to minimising such risks in the cooperation with our suppliers.

Therefore, we have implemented a strict selection process on our suppliers, taking into consideration the elements such as supplier qualification, business reputation, past performance and price. The Group closely monitors and performs annual review on the performance of its suppliers to ensure the product quality. For those products that do not meet the product quality and safety requirement, they will be specifically distinguished and handled to avoid misuse and delivery. We maintain a long-term cooperation with our suppliers based on the result of annual review.

The geographical distribution of major suppliers is as follows:

Geographical region	Number of suppliers	
	2025	2024
Mainland China		
– Zhejiang Province	188	160
– Shanghai	88	77
– Guangdong Province	76	70
– Jiangsu Province	60	60
– Beijing	2	2
– Hebei Province	5	4
– Anhui Province	6	6
– Fujian Province	4	4
– Liaoning Province	1	1
– Shandong Province	13	13
– Jiangxi Province	3	3
– Tianjin	2	2
– Henan Province	2	1
– Yunnan Province	1	1
– Sichuan Province	–	–
– Hubei Province	4	3
Total	455	407

Environmental, Social and Governance Report

B6. PRODUCT RESPONSIBILITY

To continuously improve the product quality for pursuing customer satisfaction of our products, the Group has continuously improved its quality management system in accordance with the latest version of ISO 9001:2015 standard which is a revised high level structure compared to the previous version of ISO 9001:2008. All products produced by the Group undergo relevant safety tests with appropriate safety labels affixed on the packaging. In addition, the Group has implemented a thorough “Recall Control Procedure” to protect the interest of the customer and to reduce the risk associated with product quality and safety. During the reporting period, no material products and service-related complaints (2024: Nil) were received, and no products sold or shipped subjected (2024: Nil) to recalls for safety and health reasons.

B7. ANTI-CORRUPTION

The Group is committed to preventing and monitoring any malpractice or unethical actions. The Group has established stringent policies, including “Anti-corruption and Anti-bribery Control Procedure” for anti-corruption and anti-fraud, which were communicated to the employees so as to provide them a whistle-blowing channel for reporting any suspected misappropriate actions to the Board. Employees are required to sign a “Commitment to Anti-bribery/Anti-corruption” to declare his/her compliance with the related laws. Our customers, suppliers and contractors are expected to follow the same standard when working with us. During the Reporting Period, the Group was in strict compliance with the related laws and regulations including the Prevention of Bribery Ordinance (Cap.201) and the Criminal Law of the People’s Republic of China and there was no legal case regarding corrupt practices brought against the Group or its employees.

The Group regularly provided the training materials to the directors and employees for their updated the knowledge of anti-corruption and enhance their awareness.

During the Reporting Period, the training of anti-corruption for directors and employees was conducted by the internal training and supplied of reading materials.

Environmental, Social and Governance Report

The number of employees received anti-corruption training and the training hours by employment category were as follows:

Anti-corruption training	2025	2024
Number of employees received training		
• Board of directors	3	3
• Senior management	8	6
• Middle management	15	12
• General staff	312	305
Total employees	338	326
Number of training hours		
• Board of directors	14	12
• Senior management	18	17
• Middle management	25	25
• General staff	45	40
Total training hours	102	94

B8. COMMUNITY INVESTMENT

The Group is committed to contributing to the society and making its own efforts in the development of the community. Contribution to and maintaining harmonious relationship with the community in the region of operation are crucial for the sustainable development. The Group has established “Community Investment Policy”, which aims to build trust and stable relationship with its stakeholders. The management and the employees of the Group participated in assisting and supporting the local community development.

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

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Directors' Report

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the research and development, manufacture and sale of aerosol and related products and wholesale of personal care products and production-related materials in the PRC. Details of principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements. There was no significant changes in the nature of the Group's principal activities during the Reporting Period. An analysis of the Group's performance for the Reporting Period by geographical segment is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

The discussion and analysis as required by Schedule 5 of the Companies Ordinance (Cap. 622), including a review of the business of the Group, an analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report and in the notes to the consolidated financial statements. The discussion contained therein forms part of this Directors' Report.

In addition, discussions on the Group's environmental policies and performance, the Group's compliance with relevant laws and regulations and the Group's key relationships with its employees, customers and suppliers and others are set out in the following sections of this Directors' Report.

Environmental policies and performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth. Details are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

Compliance with relevant laws and regulations

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

Directors' Report

Relationships with employees, customers and suppliers

The Directors are of view that maintaining a good working relationship with its employees, customers and suppliers are the keys to the sustainable development of the Group. During the Reporting Period, there was no significant dispute between the Group and its employees, customers and suppliers.

DONATION

During the year ended 31 December 2025, no donation was made by the Group.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

The Board resolved not to recommend any final dividend for the year ended 31 December 2025.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deems appropriate. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in the Cayman Islands, Hong Kong and the Articles.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Directors' Report

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 192 of this annual report. This summary does not form part of the audited consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on Thursday, 28 May 2026, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 21 May 2026.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 24 to the consolidated financial statements.

The Company did not have any treasury shares (as defined in the Listing Rules) as at 31 December 2025.

RESERVES

Details of the movement in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity of this annual report and note 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025 and 31 December 2024, the Company does not have any reserves available for distribution as calculated in accordance with the Companies Law of the Cayman Islands.

Directors' Report

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2025 %	2024 %
Sales		
– the largest customer	10.8	11.6
– five largest customers combined	41.9	44.4
Purchases		
– the largest supplier	9.8	12.7
– five largest suppliers combined	38.0	46.8

During the Reporting Period, none of the Directors or any of their close associates or any shareholders of the Company which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital (excluding treasury shares), had interest in any of the five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules on the Stock Exchange, if any)) during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholder.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders of the Company by reason of their holdings in the shares.

Directors' Report

DIRECTORS

The Directors in office during the year and up to the date of this annual report were:

Executive Directors

Mr. Yu Yuerong (*Chairman*)

Mr. Wang Xiaobing (*Deputy Chairman*)

Ms. Pan Yili

Independent non-executive Directors

Mr. Chan Yin Tsung

Mr. Ruan Lianfa

Ms. Yau Kit Kuen Jean

Pursuant to Article 112 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first AGM after his/her appointment, and shall then be eligible for re-election at that AGM but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that AGM.

Pursuant to Article 108(a) of the Articles, at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Mr. Yu Yuerong and Mr. Ruan Lianfa shall therefore be retired at the forthcoming AGM by rotation and, being eligible, offer themselves for re-election. Pursuant to the code provision B.2.3 of the CG Code, any further appointment of independent non-executive Director serving for more than nine years should be subject to a separate resolution to be approved by the shareholders. Given that Mr. Ruan Lianfa has served as an independent non-executive Director for more than nine years, his re-election and further appointment as an independent non-executive Director will be subject to a separate resolution.

In compliance of Rule 3.10(1) and Rule 3.10A of the Listing Rules, the Board currently comprises three independent non-executive Directors, representing more than one-third of the Board.

The Company has received a written confirmation from each independent non-executive Director in respect of their independence. Based on the contents of such confirmation, the Board considers the independent non-executive Directors to be independent under Rule 3.13 of the Listing Rules.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director, the connected party to the Director or a controlling shareholder of the Company had a material interest, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

No transactions, arrangements or contracts of significance for the provision of services to the Group by the controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Period and up to and including the date of this annual report.

Each of Mr. Yu and Ludao China Investments Holdings Limited ("Ludao Investments") (together the "Controlling Shareholders"), had entered into a deed of non-competition dated 16 September 2013 (the "Deed of Non-competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would procure his/its associates not to (other than through the Group or in respect of each covenantor (together with his/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

Directors' Report

In order to ensure the Controlling Shareholders have complied with the Deed of Non-competition, as at the date of this annual report, each of the Controlling Shareholders has provided to the Company a written confirmation (i) in respect of his/its compliance with the Deed of Non-competition for the Reporting Period and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (ii) stating that they have not entered into any business which may be in competition with the business carried on by the Group from time to time. As there was no change in terms of the undertaking since the Company's listing on the Stock Exchange, the Board is of the view that the Controlling Shareholders have complied with the Deed of Non-competition and no matters are required to bring to the attention to the public.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole and any substantial part of the Company's business was entered into or existed between the Company and any person who is not a Director or not engaged in the full-time employment of the Group during the Reporting Period.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

CHANGE IN DIRECTORS' INFORMATION

Save as disclosed in the section headed "Biographies of Directors and Senior Management" of this annual report, the Directors are not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of 2025 interim report.

In respect of the change in emoluments of Directors, please refer to note 37 to the consolidated financial statements.

SHARE OPTION SCHEME

Neither the Company nor its subsidiaries had any share option scheme during the year ended 31 December 2025.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at 31 December 2025, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary shares of the Company held (Note 1)	Approximate percentage of interests in the Company (Note 2)
Mr. Yu	Interests of a controlled corporation	250,644,000 (Note 3)	50.96%
Mr. Wang Xiaobing	Beneficial owner	1,200,000	0.24%

Notes:

- (1) All the interests represent long positions.
- (2) These percentages have been compiled based on the total number of issued shares of the Company (i.e. 491,800,000 shares) as at 31 December 2025.
- (3) These shares are held by Ludao Investments, which is wholly and beneficially owned by Mr. Yu.

Save as disclosed above, as at 31 December 2025, none of the Directors and chief executives of the Company, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

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

As at 31 December 2025, the following persons or corporations (other than a Director or chief executive of the Company), other than those disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or the Associated Corporations", had notified the Company of its interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares and underlying shares of the Company

Name of shareholders	Capacity/Nature of interests	Number of ordinary shares and underlying shares of the Company held <i>(Note 1)</i>	Approximate percentage of interests in the Company <i>(Note 2)</i>
Ludao Investments	Beneficial owner	250,644,000 <i>(Note 3)</i>	50.96%
Ms. Wang Jinfei	Interest of spouse	250,644,000 <i>(Note 3)</i>	50.96%
Perfect Century Group Limited	Beneficial owner	35,400,000 <i>(Note 4)</i>	7.20%

Notes:

- (1) All the interests represent long positions.
- (2) These percentages have been compiled based on the total number of issued shares of the Company (i.e. 491,800,000 shares) as at 31 December 2025.
- (3) Ludao Investments is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Yu, the chairman and the executive Director of the Company. Ms. Wang Jinfei is the spouse of Mr. Yu and is therefore deemed to be interested in all the shares held by Mr. Yu (through Ludao Investments) by virtue of the SFO.
- (4) Perfect Century Group Limited is interested in 35,400,000 shares which include 11,800,000 shares and 23,600,000 underlying shares to be derived from the convertible bonds of a principal amount of RMB32 million (equivalents to HK\$37.76 million) issued by the Company on 29 March 2018 at the conversion price of HK\$1.60 per share.

Directors' Report

Pursuant to the judgment made by the High Court of Hong Kong on 21 December 2021, the Company and Prosper One Development Limited are entitled to cancel and avoid or procure the cancellation and avoidance of the convertible bond issued by the Company to the Perfect Century Group Limited in the principal amount of RMB32 million. Accordingly, Perfect Century Group Limited is no longer entitled to convert the bond in the sum of RMB32 million into 23,600,000 underlying shares. As at the date of this annual report, the Company has not received any further notification from Perfect Century Group Limited in respect of any changes to notifiable interest.

Save as disclosed above, so far as is known to the Directors of the Company, no other person or corporation (other than the Directors and chief executive of the Company) had any interest and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept under section 336 of the SFO as at 31 December 2025.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had not entered into any connected transaction or continuing connected transactions which are not exempt under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group had not entered into any related party transactions.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital (excluding treasury shares) was held by the public during the Reporting Period and up to the date of this annual report.

Directors' Report

PERMITTED INDEMNITY PROVISIONS

The Articles provide that the Directors and other officers of the Company are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, excluding any losses and liabilities that may arise from fraud and dishonesty.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities. The level of the coverage is reviewed annually. The permitted indemnity provision is in force for the benefit of the Directors on the date that the Directors approved this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares during the year or subsisted during the year.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after the Reporting Period and up to the date of this annual report.

PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders who are uncertain about the tax implications of purchasing, holding, disposing of, dealing in or exercising any rights in relation to the shares of the Company should seek relevant expert for advice.

EXTERNAL INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2025 have been audited by WM CPA Limited, who will retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-appointment.

By order of the Board

Yu Yuerong

Chairman and Executive Director

Hong Kong, 27 March 2026

Independent Auditor's Report



WM CPA LIMITED

維文會計師事務所有限公司

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA LUDAO TECHNOLOGY COMPANY LIMITED

(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Ludao Technology Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 83 to 191, 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 summary of 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.

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.

Independent Auditor's Report

Provision for expected credit losses (“ECLs”) of trade receivables

As at 31 December 2025, the Group's trade receivables, gross and loss allowances thereon amounted to approximately RMB237,975,000 and RMB11,146,000 respectively.

ECLs for trade receivables is based on management's estimate of the lifetime ECLs to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and an assessment of both the current and forecast macro economic conditions, all of which involve significant degree of management judgment.

We have identified ECLs assessment of trade receivables as a key audit matter because assessing ECLs of trade receivables is a subjective area as it requires the exercise of management's judgment and uses of estimates and the significance of the carrying amounts of trade receivables to the Group's consolidated financial statements.

Refer to Note 3 “Financial Risk Management”, Note 4 “Critical accounting estimates and judgments” and Note 18 “Trade and other receivables” to the consolidated financial statements.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the management's ECLs assessment on trade receivables included:

- assessing the application of the Group's policy for calculating the ECLs;
- assessing whether the calculations of ECLs was in accordance with HKFRS 9;
- assessing the scope, expertise and independence of the independent professional valuer appointed by the Group;
- evaluating valuation methodologies and parameters adopted in ECLs assessment, with the assistance of our internal valuation specialist;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and
- testing on a sample basis the ageing of trade receivables at the end of year.

Independent Auditor's Report

Valuation of right-of-use assets and property, plant and equipment measured at revaluation model

We identified the valuation of right-of-use assets and property, plant and equipment at revaluation model as a key audit matter due to the inherent level of subjective judgements and complex estimates required in determining the revalued values.

The Group's land (included under right-of-use assets) and buildings (included under property, plant and equipment) located in the People's Republic of China (the "Land and Buildings") are accounted for using revaluation model.

As at 31 December 2025, the carrying amount of the Group's Land and Buildings at revaluation model are RMB163,960,000 and RMB738,250,000 respectively, which represented 9% and 38% of the Group's total assets, respectively. The resulting revaluation gain of RMB103,686,000, representing sum of revaluation gain of RMB90,728,000 arising from right-of-use assets and revaluation gain of RMB12,958,000 arising from property, plant and equipment, respectively, has been charged to the other comprehensive income for the year ended 31 December 2025.

As further disclosed in Note 4 "Critical accounting estimates and judgments", Note 14(a) "Right-of-use assets", and Note 15 "Property, plant and equipment" to the consolidated financial statements, in estimating the fair value of these Land and Buildings, the Group engaged an independent qualified valuer (the "Valuer"), to carry out the valuation. The management of the Group provided information to the Valuer and the Valuer established and determined the appropriate technique and inputs to the valuation model. The fair values of the Group's Land and Buildings were measured using depreciated replacement cost approach, or wherever appropriate, direct comparison approach. Changes in the comparable properties adopted may result in a significant increase or decrease in fair value.

How our audit addressed the Key Audit Matter

Our procedures in relation to the management's valuation of the Land and Buildings at revaluation model included:

- evaluating the competence, capability, and objectivity of the Valuer;
- obtaining an understanding from the Valuer about the valuation methodology, significant unobservable inputs and data used in the valuations;
- assessing the reasonableness of the price per square metre of comparable properties and information used by the Valuer and management of the Group in the valuation model, including adjustment factors for locations and conditions of the properties, in order to assess the appropriateness of these inputs and comparing the comparable properties adopted with fair market unit price; and
- checking the mathematical accuracy of the valuation calculations.

Independent Auditor's Report

Our audit procedures in relation to the management's impairment assessment of property, plant and equipment and right-of-use assets measured at revaluation model:

- understanding and assessing the appropriateness of the valuation methodologies used by the management and key assumptions adopted for valuations based on our knowledge of the businesses and industries;
- assessing the objectivity, capability, and competence of the valuer by considering its qualifications, relevant experience and relationship with the Group;
- checking the accuracy and relevance of the input data used and the reasonableness of the key assumptions used in the valuations;
- involving an auditor's valuation expert to assist our work in assessing the valuation methodology adopted by the valuer and comparing the key estimates and assumptions adopted in the valuations;
- discussing with the valuer and challenging the reasonableness of key assumptions in the cash flow projections covering the projection period, growth rates and discount rate; and
- considering the adequacy of the Group's disclosure in respect of the impairment assessment.

Other Information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

Independent Auditor's Report

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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.

Independent Auditor's Report

- 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.

From the matters communicated with the directors, 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.

WM CPA Limited

Certified Public Accountants

Chow Wing Yiu

Practising Certificate no. P07574

Hong Kong, 27 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Revenue	6	1,118,404	906,846
Cost of sales		(966,793)	(765,010)
Gross profit		151,611	141,836
Other income	6	31,670	6,853
Other (losses)/gains – net	6	(6,242)	11,065
Selling expenses		(29,296)	(21,304)
Administrative and other operating expenses		(70,105)	(65,884)
Reversal of impairment loss/(impairment loss) on trade receivables, other receivables and deposits		868	(5,222)
Impairment loss on investment in a joint venture	13	(2,000)	(3,415)
Operating profit		76,506	63,929
Finance income	9	391	883
Finance costs	9	(954)	(6,380)
Finance costs – net	9	(563)	(5,497)
Share of results of a joint venture	13	(1,375)	408
Profit before income tax	7	74,568	58,840
Income tax expense	11	(18,304)	(7,557)
Profit for the year		56,264	51,283
Other comprehensive income/(expenses)			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		13,729	(13,453)
Gain on revaluation of land and buildings		103,686	–
Deferred taxation relating to revaluation of land and buildings		(23,103)	–
Other comprehensive income/(expenses) for the year, net of tax		94,312	(13,453)
Total comprehensive income for the year		150,576	37,830
Profit for the year attributable to:			
Owners of the Company		56,257	51,300
Non-controlling interests		7	(17)
		56,264	51,283
Total comprehensive income for the year attributable to:			
Owners of the Company		150,569	37,847
Non-controlling interests		7	(17)
		150,576	37,830
Earnings per share for profit attributable to owners of the Company			
– basic and diluted (RMB per share)	12	0.11	0.10

The notes on pages 88 to 191 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2025

		As at 31 December	
	Notes	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	902,007	801,048
Prepayments for property, plant and equipment	19	66,175	80,070
Right-of-use assets	14	166,350	77,984
Intangible assets	16	1,480	1,586
Investment in a joint venture	13	43,146	46,500
Financial asset at fair value through profit or loss ("FVTPL")	20	2,000	2,000
Financial asset at fair value through other comprehensive income ("FVOCI")	20	–	–
Deferred tax assets	31	3,315	2,768
Trade and other receivables	18	–	64
		1,184,473	1,012,020
Current assets			
Inventories	17	62,748	57,593
Trade and other receivables	18	543,469	508,028
Financial asset at FVTPL	20	–	–
Income tax recoverable		1,835	–
Pledged bank deposits	22	93,414	85,089
Cash and bank balances	21	42,676	32,087
		744,142	682,797
Total assets		1,928,615	1,694,817
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	24	3,901	3,901
Share premium	24	150,143	150,143
Other reserves	26	24,258	(75,748)
Retained earnings		419,298	368,735
		597,600	447,031
Non-controlling interests		372	365
Total equity		597,972	447,396

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	As at 31 December	
		2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	30	236,280	279,078
Lease liabilities	14	924	1,948
Deferred tax liabilities	31	42,196	7,756
Deferred government grants	27	9,182	9,486
		288,582	298,268
Current liabilities			
Trade and other payables	28	545,116	531,148
Contract liabilities	6	28,733	57,518
Bank and other borrowings	30	466,418	358,468
Convertible bonds	29	—	—
Income tax payable		328	758
Lease liabilities	14	1,466	1,261
		1,042,061	949,153
Total liabilities		1,330,643	1,247,421
Total equity and liabilities		1,928,615	1,694,817

The notes on pages 88 to 191 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 83 to 191 were approved by the Board of Directors on 27 March 2026 and were signed on its behalf.

Yu Yuerong
Director

Wang Xiaobing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2024	3,901	150,143	(61,114)	316,254	409,184	382	409,566
Profit for the year	–	–	–	51,300	51,300	(17)	51,283
Currency translation differences	–	–	(13,453)	–	(13,453)	–	(13,453)
Total comprehensive income	–	–	(13,453)	51,300	37,847	(17)	37,830
Derecognition of equity component of convertible bonds (<i>Note 29</i>)	–	–	(7,176)	7,176	–	–	–
Transaction with owners							
Profit appropriation	–	–	5,995	(5,995)	–	–	–
Balance at 31 December 2024 and 1 January 2025	3,901	150,143	(75,748)	368,735	447,031	365	447,396
Profit for the year	–	–	–	56,257	56,257	7	56,264
Currency translation differences	–	–	13,729	–	13,729	–	13,729
Gain on revaluation of land and buildings	–	–	103,686	–	103,686	–	103,686
Deferred taxation relating to revaluation of land and buildings	–	–	(23,103)	–	(23,103)	–	(23,103)
Total comprehensive income	–	–	94,312	56,257	150,569	7	150,576
Transaction with owners							
Profit appropriation	–	–	5,694	(5,694)	–	–	–
Balance at 31 December 2025	3,901	150,143	24,258	419,298	597,600	372	597,972

The notes on pages 88 to 191 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33	(38,757)	199,947
Income tax paid		(9,779)	(8,260)
Net cash (used in)/generated from operating activities		(48,536)	191,687
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,495)	(40,526)
Proceeds from disposal of property, plant and equipment		326	25
Purchase of intangible assets		(15)	(84)
Payment for right-of-use asset		(71)	(35,257)
Placement of pledged bank deposits		(8,325)	(29,654)
Interest received		391	883
Prepayment for property, plant and equipment		(26,828)	(28,561)
Net cash used in investing activities		(67,017)	(133,174)
Cash flows from financing activities			
Repayment of convertible bonds		–	(89,986)
Repayments of principal portion of the lease liabilities		(1,342)	(7,226)
Proceeds from bank and other borrowings		426,030	354,339
Repayments of bank and other borrowings		(348,339)	(339,689)
Interest paid		(30,508)	(33,492)
Proceeds from notes payable		370,433	268,139
Repayments of notes payable		(304,038)	(196,730)
Net cash generated from/(used in) financing activities		112,236	(44,645)
Net (decrease)/increase in cash and cash equivalents		(3,317)	13,868
Cash and cash equivalents at beginning of the year	21	32,087	31,579
Currency translation differences		13,906	(13,360)
Cash and cash equivalents at end of the year	21	42,676	32,087

The notes on pages 88 to 191 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

China Ludao Technology Company Limited (the “Company”) was incorporated in the Cayman Islands on 25 May 2012 as an exempted company with limited liability. The address of the Company’s registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sale of aerosol products for household and auto care, air fresheners, personal care products and insecticides and wholesale of personal care products and production-related materials. Ludao China Investments Holdings Limited (“Ludao Investments”), which is wholly owned by Mr. Yu Yuerong (“Controlling Shareholder”), has 50.96% interest in the Company as at 31 December 2025.

On 11 October 2013, the shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2026.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirement of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, except for land and buildings and certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

As at 31 December 2025, the Group recorded net current liabilities of approximately RMB297,919,000 and placed reliance on short-term financing. These situations indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, in view of the circumstances, the Directors have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

- (a) the management of the Group has been endeavouring to improve the Group's operating cash flows through implementing various cost control measures; and
- (b) the Group has unutilised banking facilities as at 31 December 2025.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of approval of these consolidated financial statements taking into account the above-mentioned plans and measures, having considered the Group's bank balances as at 31 December 2025 and the Group's continuous net cash inflows from future operations and/or other sources, the Directors were of the opinion that the Group has sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The accounting policies and method of computation used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2024 except for the changes mentioned below.

(a) Change in accounting policies and disclosure

(i) HKAS 21 Lack of Exchangeability

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

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

(ii) Revaluation of land and buildings

During the year ended 31 December 2025, the Group re-assessed its accounting policies for property, plant and equipment with respect to measurement of land and buildings after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition, the asset was carried at cost less accumulated depreciation and accumulated impairment losses, if any.

With effect from 31 December 2025, the Company changed its accounting policies to recognise land and buildings from using cost model to revaluation model, in accordance with HKAS 16 "Property, Plant and Equipment" the asset was carried at revaluation less accumulated depreciation and accumulated impairment. The directors of the Company believed that such change in accounting policies will result in more faithfully representative and relevant information being provided in the financial statements as the historical costs of the land and buildings are considered as outdated. As a result, a revaluation surplus of RMB80,583,000 (net of deferred taxation of RMB23,103,000) arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in the revaluation reserve. The opening balance of accumulated losses is not adjusted and comparatives are not restated.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(a) Change in accounting policies and disclosure (Continued)

(ii) Revaluation of land and buildings (Continued)

After adoption of revaluation model, land and buildings are subsequently measured at their revalued amounts, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

(b) Issued but are not yet effective HKFRS Accounting Standards

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

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

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

³ No mandatory effective date yet determined but available for adoption

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) Issued but are not yet effective HKFRS Accounting Standards (Continued)

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) Issued but are not yet effective HKFRS Accounting Standards (Continued)

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) Issued but are not yet effective HKFRS Accounting Standards (Continued)

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group’s financial statements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) Issued but are not yet effective HKFRS Accounting Standards (Continued)

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS *Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Adoption of HKFRS Accounting Standards *(Continued)*

(b) Issued but are not yet effective HKFRS Accounting Standards (Continued)

- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation

2.4.1 *Business combination and basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS Accounting Standards. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.1 Business combination and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

2.4.2 Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.2 Subsidiaries *(Continued)*

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

- the Group's voting rights and potential voting rights;
- the contractual arrangements with other vote holders of the investee;
- right arising from other contractual arrangement; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4.3 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.3 Joint arrangements *(Continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements)

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. In accordance with HKFRS 11 Joint Arrangements, the Group is required to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by HKFRS 3.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.4 Consolidation *(Continued)*

2.4.4 Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss as a gain on bargain purchase on the acquisition date, after re-assessment.

Goodwill is initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Group, being the chief operating decision maker (“CODM”) for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components reported to the CODM are determined based on the Group’s major products and service lines stated in Note 5.

2.6 Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.6 Foreign currencies *(Continued)*

On consolidation, the results of overseas operations are translated into RMB at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the exchange reserve.

Exchange differences recognised in profit or loss in group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal.

2.7 Property, plant and equipment

The following items are stated at their revalued amounts, being their fair values at the date of the revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses:

– *Land and buildings*

Revaluations are performed with sufficient regularity to ensure that the carrying amounts of these assets do not differ materially from that which would be determined using fair values at the end of reporting period.

Changes arising on the revaluation are generally dealt with in other comprehensive income and are accumulated separately in equity in the asset revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.7 Property, plant and equipment *(Continued)*

The following items of property, plant and equipment are stated at cost less accumulated depreciation.

- Plant and machinery
- Office furniture and equipment
- Motor vehicles
- Renovation
- Construction in progress

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost less impairment losses. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.7 Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-50 years
Plant and machinery	5-15 years
Office furniture and equipment	3-10 years
Motor vehicles	5 years
Renovation	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the consolidated statement of profit or loss and other comprehensive income.

2.8 Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or infinite. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each financial year end.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.8 Intangible assets (other than goodwill) *(Continued)*

(i) Intangible assets acquired separately (Continued)

The amortisation expense is recognised in profit or loss. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Computer software	10 years
Patents	5 years
Development costs	10 years

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.8 Intangible assets (other than goodwill) *(Continued)*

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(v) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 2.9).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment and prepayments for property, plant and equipment;
- right-of-use assets;
- intangible assets (other than goodwill);
- investment in a joint venture; and
- investments in subsidiaries in the Company's statement of financial position.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal ("FVLCD") and value in use ("VIU")) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS Accounting Standards, in which case the impairment loss is treated as a revaluation decrease under that HKFRS Accounting Standards.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS Accounting Standards, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS Accounting Standards.

VIU is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 2.4.4) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments

2.10.1 Financial assets

Financial assets is recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus or minus, in the case of a financial asset not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.1 Financial assets *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.1 Financial assets *(Continued)*

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.1 Financial assets *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance being ECL provision in accordance with HKFRS 9; and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount of the guarantees. To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.2 Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, other receivable and deposits, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.2 Impairment loss on financial assets *(Continued)*

The Group rebutted the presumption of a financial asset has increased credit risk significantly if it is more than 30 days past due based on the customers' past payment history and current ability of making payments. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 1 year past due.

The Group rebutted the presumption of default under ECL model for a financial asset over 90 days past due based on the customers' past payment history and continuous business with the Group.

The Group considers a financial asset to be credit-impaired when: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default; (3) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or (5) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.3 Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank and other borrowings, lease liabilities, note and debt element of convertible bonds are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.10.4 Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.4 Convertible bonds *(Continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Convertible bonds with conversion options which are not settled by exchanging a fixed amount of cash for a fixed number of the Company's own shares comprise a derivative component and a liability component.

At initial recognition the derivative component of the convertible notes is measured at fair value. Any excess of the proceeds which represents the fair value of the convertible bonds as a whole over the amount initially recognised as the derivative component which represents the fair value of conversion option is recognised as the liability component. Transaction costs relating to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability component. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured at fair value, with changes in fair value recognised immediately in profit or loss. The liability component is subsequently measured at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The liability component is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.10.5 Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial instruments *(Continued)*

2.10.6 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

2.10.7 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.10.8 Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

2.11 Inventories

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

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as borrowing costs over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.17 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.17 Income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.18 Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

2.19 Revenue recognition

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

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

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

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

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

(i) Sales of goods

Customers obtain control of the goods when the goods are delivered to and accepted by customers according to the contract terms. Revenue is thus recognised at the point in time when the customers accepted the goods. There is generally only one performance obligation in a contract. Invoices are usually payable on demand and up to 0-360 days (2024: 0-360 days). There are no right of return and the provision of rebates is not common.

(ii) Technical services income

Technical services include provision of consultation services, feasibility analysis and the application of technique. Revenue from provision of consultation services is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefits providing by the Group's performance as the Group performs and the revenue can be measured reliably. Revenue from provision of feasibility analysis and the application of technique is recognised at a point in time when the promised services is satisfied. The considerations generally include no variable amount. Invoices are usually payable on demand or up to 0-180 days.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Revenue recognition *(Continued)*

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

2.20 Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

When the right-of-use assets relate to land, the corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "property, plant and equipment".

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.20 Leases *(Continued)*

Lease liability

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

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

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group has leased out its investment property to a tenant. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on either a straight-line basis or another systematic basis over the remaining lease term.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group. For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Related parties

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 that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or parent of the Company;

or

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Related parties *(Continued)*

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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by designated directors under policies approved by the board of directors. These directors identify, evaluate and hedge financial risks in close cooperation within the Group's operating units.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The majority of the Group's assets and liabilities were denominated in RMB. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB. The Group currently does not have any foreign exchange contracts because hedging cost is relatively high. Moreover, the conversion of RMB into foreign currencies and the remittance of funds are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

Major foreign currencies of Group are Hong Kong dollars (“HKD”) and United States dollars (“USD”). The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Assets		
HKD and USD	152,507	102,032
Liabilities		
HKD and USD	52,121	53,887

The following table shows the sensitivity analysis on profit before tax of a 5% increase in RMB against HKD and USD. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for the respective changes in rate.

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
5% appreciation in exchange rate against HKD and USD		
Decrease in the profit for the year	(5,019)	(2,407)

(b) Price risk

The Group is not exposed to equity securities price risk or commodity price risk. The Group has not entered into any long term contracts with the suppliers but placed deposits when the prices were considered favourable. Fluctuations in the price of raw materials are usually passed on to customers.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2025 and 2024.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	-	-	-	226,829	226,829
Other receivables and deposit (excluding prepayment, government grant receivables and other tax receivables)					
– Normal**	16,448	-	-	-	16,448
– Doubtful**	-	332	4,560	-	4,892
Pledged deposits					
– Not yet past due	93,414	-	-	-	93,414
Cash and bank balances					
– Not yet past due	42,676	-	-	-	42,676
Total	152,538	332	4,560	226,829	384,259

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	218,425	218,425
Other receivables and deposit (excluding prepayment, government grant receivables and other tax receivables)					
– Normal**	2,943	–	–	–	2,943
– Doubtful**	–	1,629	3,296	–	4,925
Pledged deposits					
– Not yet past due	85,089	–	–	–	85,089
Cash and bank balances					
– Not yet past due	32,087	–	–	–	32,087
Total	120,119	1,629	3,296	218,425	343,469

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 18 to the consolidated financial statements, respectively.

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 18 to the consolidated financial statements.

As at 31 December 2025, the Group had certain concentration of credit risk as 73% (2024: 74%) of the total trade receivables were due from the Group's five largest customers. For the year ended 31 December 2025, the five largest customers were established customers of the Group which were located in Chile, the United States of America and Mainland China (2024: Chile, the United States of America and Mainland China), and have good repayment history with reference to the track records of these customers under internal assessment by the Group. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

The Group has adequate cash and cash equivalents to finance its operating activities. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
As at 31 December 2025						
Trade and other payables (excluding other taxes payable)	545,096	545,096	545,096	–	–	–
Bank and other borrowings	702,698	721,895	469,580	61,810	190,505	–
Lease liabilities	2,390	2,561	1,580	585	396	–
	1,250,184	1,269,552	1,016,256	62,395	190,901	–
As at 31 December 2024						
Trade and other payables (excluding other taxes payable)	531,104	531,104	531,104	–	–	–
Bank and other borrowings	637,546	659,968	362,682	43,678	185,819	67,789
Lease liabilities	3,209	3,597	1,491	1,314	792	–
	1,171,859	1,194,669	895,277	44,992	186,611	67,789

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Cash flow and fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits (Note 22), fixed-rate bank borrowings (Note 30) and lease liabilities (Note 14). The Group's exposures to cash flow interest rate risk are mainly attributable to its bank deposits and bank borrowings at variable interest rates. Bank deposits at variable rates expose the Group to cash flow interest rate risk. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group does not hedge its fair value interest rate risk as management believes that the fair value interest rate risk does not have material impact on the Group given the discounting impact as a result of a shift of the fixed interest rate on the borrowings is not material.

As at 31 December 2025 and 2024, the Directors of the Company expected reasonably possible changes in interest rates have no material impact on the interest income of pledged bank deposits, short-term bank deposits and cash and cash equivalents and interest expense of bank and other borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and variable-rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/(increase) by RMB1,658,000 (2024: RMB1,377,000).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing were as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Bank and other borrowings <i>(Note 30)</i>	702,698	637,546
Notes payable <i>(Note 28)</i>	226,850	149,159
Total borrowings	929,548	786,705
Total equity	597,972	447,396
Gearing ratio	155%	176%

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities approximate to their fair values as the impact of discounting is not significant.

The Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Disclosures of level in fair value hierarchy at 31 December 2025	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at FVOCI					
Unlisted equity securities	20	-	-	-	-
Financial asset at FVTPL					
Profit guarantee	20	-	-	-	-
Equity investment	20	-	-	2,000	2,000
		-	-	2,000	2,000
Total financial assets		-	-	2,000	2,000

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Disclosures of level in fair value hierarchy at 31 December 2024	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at FVOCI					
Unlisted equity securities	20	–	–	–	–
Financial asset at FVTPL					
Profit guarantee	20	–	–	–	–
Equity investment	20	–	–	2,000	2,000
		–	–	2,000	2,000
Total financial assets		–	–	2,000	2,000

During the year ended 31 December 2025 and 2024, there were no transfers between levels of the fair value hierarchy.

The following table presents the changes in level 3 items for the years ended 31 December 2025 and 2024:

	Financial assets at FVOCI Unlisted equity securities RMB'000	Financial assets at FVTPL Profit guarantee RMB'000	Unlisted fund investment RMB'000	Equity investment
At 1 January 2024,				
31 December 2024,				
1 January 2025 and				
31 December 2025	–	–	–	2,000

Fair values of financial asset at FVOCI and FVTPL have been measured as described in Note 20.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) *Provision for ECLs of trade receivables, other receivables and deposits*

The provision for ECLs is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency. As at 31 December 2025, the provision for impairment on trade receivables, other receivables and deposits are RMB11,146,000 (2024: RMB14,176,000), RMB5,444,000 (2024: RMB3,363,000) and Nil (2024: Nil) respectively. The Group makes allowances on trade receivables, other receivables and deposits based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the ECLs calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(b) *Provision for inventories*

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate the expected sales based on orders on hand and ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. Judgment is required in estimating the expected sales and thus the provision required. If conditions which have impact on the net realisable value of inventories deteriorate, additional provision may be required.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets.

(d) No equity accounting applied for the investment in Ever Clever (as defined in note 20) in which the Group holds 25% equity interest

No significant influence in Ever Clever

In preparing the consolidated financial statements, significant judgment has been applied by the management in the determination of the investment of 25% equity interest in Ever Clever under Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures" ("HKAS 28"). Management has assessed the definition of an associate under HKAS 28 and given that the Group which owns 25% of equity interest does not entitle to request for a meeting to elect directors of Ever Clever in accordance with the memorandum and articles of association of Ever Clever, there is no representation of the Group on the board of directors or equivalent governing body of Ever Clever and the Group has not participated in policy-making processes, including participation in decisions about dividends or other distributions, management has concluded that the investment of 25% equity interest in Ever Clever does not fall within the definition of an associate under HKAS 28. Management made an irrevocable election to designate this investment at FVOCI, it is subsequently measured at fair value and change in fair value is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(e) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

The Group measures a number of items at fair value:

- Financial assets at FVOCI and FVTPL (Note 20)
- Land and buildings (Note 14 and 15)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(f) Impairment assessment of investment in Illustrious Success (as defined in note 13) and its subsidiaries (the “Illustrious Group”)

Determining whether investment in the Illustrious Group is impaired requires an estimation of the recoverable amount of the investment in the Illustrious Group. The Group has engaged an independent external valuer to carry out a valuation of the investment in the Illustrious Group as at 31 December 2025 based on the value in use calculations. The value in use calculation requires the management of the Group to estimate its share of the present value of the future cash flows expected to be generated by the Illustrious Group based on the cash flows from the operations of the Illustrious Group taking into account the estimated future cash flows expected to arise from the operation of the Illustrious Group and a suitable discount rate with reference to comparable companies. Where the value in use is less than or more than expected or upon the management's revision of estimated cash flows for the purpose of determining the value in use due to changes in conditions, facts and circumstances, an additional impairment loss or reversal of impairment loss may arise.

Note 13 provides detailed information about the valuation techniques and inputs used in the determination of the VIU of the Group's investment in the Illustrious Group.

As at 31 December 2025, the carrying amount of the Group's investment in the Illustrious Group was approximately RMB43,146,000 (2024: RMB46,500,000). Impairment losses of approximately RMB2,000,000 (2024: RMB3,415,000) has been recognised in consolidated profit or loss during the year.

(g) Impairment of non-financial assets

The Group assesses at the end of each financial year whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the VIU and FVL COD of the asset and cash generating unit to which the asset is allocated. Preparing the VIU and FVL COD calculations require management to exercise significant judgement and make critical accounting estimates, particularly in relation to the determination of valuation techniques and the selection of inputs like projected cash flows during projection period, growth rates beyond the projection period and discount rates to discount the projected cash flows and cash flows beyond the projection period.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION

The executive directors of the Company (“EDs”) are chief operating decision-makers. EDs review the Group’s internal reporting in order to assess performance and allocate resources. The Group has determined the operating segments based on the internal reports that are used by the EDs to make strategic decisions. The Group is principally engaged in the manufacture and sale of aerosol and related products and wholesales of personal care products and production-related materials. The Group sells its products on contract manufacturing service basis mainly to overseas markets and on original brand manufacturing basis in the PRC market. All products are manufactured under the same production lines and distributed through distributors’ network. The Group wholesales the personal care products and production-related materials to business entities based in the PRC market. Result of investment activities are not material to be disclosed as a separate reportable operating segment. EDs review and assess performance of the Group on a combined basis and management concluded that there is only one reportable and operating segment.

Geographical information

The following tables present information on revenue and certain assets of the Group by geographical segment.

Revenue from external customers

	2025 RMB'000	2024 RMB'000
Mainland China	838,841	667,713
United States of America	111,515	96,524
Japan	13,465	13,536
Chile	120,987	104,769
Others	33,596	24,304
	1,118,404	906,846

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

Revenue from external customers *(Continued)*

The revenue information above is based on delivery location of the customers.

The amounts provided to the EDs with respect to total assets are measured in a manner consistent with that of consolidated financial statements.

The right-of-use assets, property, plant and equipment, prepayment for property, plant and equipment, intangible assets and investment in a joint venture which are classified as non-current assets as at 31 December 2025 and 2024 are mainly located in the PRC.

Information about major customers

Revenue from major customers, each of them accounted for 5% or more of the Group's revenue, are set out below:

	2025 RMB'000	2024 RMB'000
Customer A	120,987	104,769
Customer B	98,532	n/a*
Customer C	88,166	95,965
Customer D	86,479	84,336
Customer E	74,788	75,921
Customer F	n/a*	42,041

* Revenue from this customer did not exceed 5% of the Group's total revenue for the year ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

6 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	2025 RMB'000	2024 RMB'000
Revenue		
Sales of goods	1,118,404	906,846
Other income		
Government grants (<i>Note</i>)	30,803	3,143
Technical service fee	565	3,275
Others	302	435
	31,670	6,853
Other (losses)/gains – net		
Foreign exchange (loss)/gain (<i>Note 10</i>)	(4,457)	10,971
Gain on disposal of property, plant and equipment	202	–
Gain on early termination of lease (<i>Note 14</i>)	–	40
Loss on revaluation of buildings (<i>Note 15</i>)	(1,987)	–
Others	–	54
	(6,242)	11,065

Note: The Group received government grants in relation to the support of the Group's operations and the research and development cost in the PRC. There were no unfulfilled conditions in relation to the grants.

Notes to the Consolidated Financial Statements

6 REVENUE, OTHER INCOME AND OTHER GAINS – NET (Continued)

Revenue and other income from contracts with customers – disaggregated revenue information:

	2025 RMB'000	2024 RMB'000
Revenue and other income under HKFRS 15		
Type of goods and services		
Sales of goods on contract manufacturing service ("CMS") basis (Note i)	609,642	575,413
Sales of goods on original brand manufacturing ("OBM") basis (Note ii)	26,547	25,747
Wholesales	482,215	305,686
Technical service	565	3,275
	1,118,969	910,121
Timing of revenue recognition		
Recognised on point in time basis		
– Sales of goods	1,118,404	906,846
Recognised on over time basis		
– Technical service fee	565	3,275
	1,118,969	910,121

Notes:

- (i) The sales of CMS products relate to products which were manufactured by the Group and sold under the customers' brand names.
- (ii) The sales of OBM products relate to products which were designed, developed and manufactured by the Group and sold under the Group's own or licensed brand names.

Notes to the Consolidated Financial Statements

6 REVENUE, OTHER INCOME AND OTHER GAINS – NET *(Continued)*

The following table provides information about contract liabilities from contracts with customers.

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Contract liabilities	28,733	57,518

The contract liabilities are mainly related to the advance consideration of sales of goods received from customers.

Movements in contract liabilities during the year ended 31 December 2025 and 2024:

	RMB'000
Balance at 1 January 2024	16,352
Revenue recognised in the year that was included in the contract liabilities balance at the beginning of year	(15,355)
Increase due to cash received, excluding amount recognised as revenue during the year	56,521
Balance at 31 December 2024 and 1 January 2025	57,518
Revenue recognised in the year that was included in the contract liabilities balance at the beginning of year	(55,342)
Increase due to cash received, excluding amount recognised as revenue during the year	26,557
Balance at 31 December 2025	28,733

The Group's contracts usually have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The Group has applied the practical expedient and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

The Group has taken advantage of the practical expedient to not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less.

Notes to the Consolidated Financial Statements

7 PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging/(crediting):

	2025 RMB'000	2024 RMB'000
Depreciation and amortisation (<i>Note 14, 15, 16</i>)	15,623	13,707
Employee benefit expenses, excluding amount included in research and development costs	51,458	47,171
Research and development costs (<i>Note</i>)		
– Employee benefit expenses	9,062	7,779
– Materials and others, excluding depreciation and amortisation	15,550	16,314
Auditor's remuneration		
– Audit services	980	980
Short-term lease expense (<i>Note 14</i>)	219	796
Low value lease expense (<i>Note 14</i>)	–	23
Variable lease payments not included in the measurement of lease liabilities (<i>Note 14</i>)	–	1,441
Gain on early termination of lease (<i>Note 14</i>)	–	(40)
Inventories written off	383	128
(Gain)/loss on disposal of property, plant and equipment	(202)	75

Note: Research and development costs are included in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2025 RMB'000	2024 RMB'000
Wages, allowances and bonus	51,756	47,823
Retirement scheme contribution	6,651	5,420
Others	2,113	1,707
	60,520	54,950

(a) Pensions – defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees in the PRC arranged by local government labour and security authorities ("PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes based on 22.5% (2024: 22.5%) of the basic salary of eligible staff during the year ended 31 December 2025. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group contributes 5% (2024: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK\$1,500 per employee (2024: HK\$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme or the PRC Retirement Schemes (as the case may be).

Notes to the Consolidated Financial Statements

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2024: two) directors whose emoluments are reflected in the analysis in Note 37. The emoluments paid to the remaining three individuals (2024: three) during the year are as follows:

	2025 RMB'000	2024 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,590	1,579
Retirement scheme contribution	49	47
	1,639	1,626

	Number of individuals	
	2025	2024
Emoluments bands Nil to HKD1,000,000	3	3

9 FINANCE COSTS – NET

	2025 RMB'000	2024 RMB'000
Interest income	391	883
Foreign exchange gain (Note 10)	114	2,301
Interest expense		
– Bank and other borrowings*	(30,283)	(32,972)
– Interest on lease liabilities (Note 14)	(225)	(520)
– Convertible bonds (Note 29)	–	(6,311)
– Amount capitalised in construction-in-progress	29,440	31,122
	(954)	(6,380)
Finance costs – net	(563)	(5,497)

Finance cost capitalised in construction in progress relate to finance costs incurred during the year on borrowing which provided funds generally and specifically for the purpose of obtaining the qualifying asset.

* Interest expense on bank and other borrowing included interest expense on sale and leaseback.

Notes to the Consolidated Financial Statements

10 TOTAL FOREIGN EXCHANGE

	2025 RMB'000	2024 RMB'000
Included in:		
– Finance costs – net (<i>Note 9</i>)	114	2,301
– Other (losses)/gains – net (<i>Note 6</i>)	(4,457)	10,971
Total	(4,343)	13,272

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are included in finance income or finance costs in the consolidated statement of profit or loss and other comprehensive income. All other foreign exchange gains and losses are included in other gains – net in the consolidated statement of profit or loss and other comprehensive income.

11 INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current income tax:		
Hong Kong profit tax	–	328
PRC corporate income tax	6,921	8,561
– Under provision in respect of prior years	592	–
	7,513	8,889
Deferred income tax:		
PRC corporate income tax	10,845	(1,278)
PRC land appreciation tax (“LAT”)	(54)	(54)
	10,791	(1,332)
	18,304	7,557

The Group was not subject to any income tax in the Cayman Islands.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE *(Continued)*

No provision for profits tax in Hong Kong has been made as the Group has no assessable income for profits tax in Hong Kong during the year ended 31 December 2025.

The provision of Hong Kong Profits Tax is calculated at a tax rate of 16.5% during the year ended 31 December 2024, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For that subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the “CIT Law”), companies established in the PRC are subject to income tax at a rate of 25% unless preferential rates are applicable. Zhejiang Ludao Technology Co., Ltd (“Ludao PRC”) was accredited as a High and New Technology Enterprise enabling it to enjoy a preferential rate of 15% for the three years from 24 December 2022 to 23 December 2025, and renewed for the three years from 19 December 2025 to 18 December 2028.

For the year ended 31 December 2025 and 2024, the Group was entitled to claim an extra 100% in addition to the actual research and development expenses incurred as an incentive (“Super Deduction”).

The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year ended 31 December 2025 and 2024.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales properties less deductible expenditures including the cost of land use rights and all property development expenditures.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group as follows:

	2025 RMB'000	2024 RMB'000
Profit before income tax	74,568	58,840
Add: share of results of a joint venture (Note 13)	1,375	(408)
	75,943	58,432
Tax calculated at the tax rate of 15% (2024: 15%)	11,391	8,765
Effect of different tax rates of other subsidiaries	843	(1,486)
Additional deductions for research and development expenses	(3,415)	(3,248)
Effects of income not taxable and expenses not deductible for tax purposes and others	1,100	3,526
Tax effect of recognised temporary difference	11,334	–
Utilisation of tax losses previously not recognised	(3,541)	–
Under-provision for prior years	592	–
	18,304	7,557

Pursuant to the CIT Law, a 10% withholding tax will be levied on the dividends declared by companies established in the PRC from profits generated after 1 January 2008 to their foreign investors. As at 31 December 2025, the Group did not recognise deferred tax liabilities on profits of RMB573,399,000 (2024: RMB522,157,000) generated from Ludao PRC after 1 January 2008 as no dividends would be declared by Ludao PRC out of those profits in the foreseeable future considering the cash flow requirements of the Group.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2025	2024
Profit attributable to owners of the Company (RMB'000)	56,257	51,300
Weighted average number of ordinary shares in issue	491,800,000	491,800,000
Basic and diluted earnings per share (RMB per share)	0.11	0.10

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2025 and 2024, diluted earnings per share is the same as basic earnings per share. There is no dilutive effect of the outstanding convertible bonds for the years ended 31 December 2025 and 2024, as they are anti-dilutive.

Notes to the Consolidated Financial Statements

13 INVESTMENT IN A JOINT VENTURE

	2025 RMB'000	2024 RMB'000
As at 1 January	46,500	49,500
Share of results	(1,375)	408
Impairment loss on investment in a joint venture	(2,000)	(3,415)
Exchange adjustment	21	7
As at 31 December	43,146	46,500

As at 31 December 2025, the Group had interest in the joint venture which is accounted for using equity method in the consolidated financial statements.

Name	Form of business structure	Place of incorporation/ establishment	Particulars of issued shares held	Equity interest held	Principal activities and place of operation
				2025	2024
Illustrious Success Limited ("Illustrious Success") (Note)	Limited liability company	The British Virgin Islands ("BVI")	5,000 ordinary shares of USD5,000	50%	50%
					Investment holding, BVI

Note:

During the year ended 31 December 2017, the Group acquired 50% equity interest in Illustrious Success for a consideration of RMB52,000,000.

Illustrious Success is a company incorporated in BVI with limited liability and is engaged in investment holding. Its significant subsidiary, 朝陽廣華新能源技術有限公司 (Chaoyang Guanghua New Energy and Technology Limited*), is mainly engaged in supplying heat generated from thermal energy and sewage water in the PRC.

The proportion of ownership interest in Illustrious Success is the same as the proportion of voting rights held.

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

13 INVESTMENT IN A JOINT VENTURE (Continued)

Summarised financial information for Illustrious Success:

	2025 RMB'000	2024 RMB'000
Current assets		
Cash and cash equivalents	2,892	234
Trade and other receivables	27,375	32,065
Total current assets	30,267	32,299
Non-current assets		
Payments for land use rights	1,410	1,454
Property, plant and equipment	8,666	9,648
Intangible asset (a)	35,104	36,954
Total non-current assets	45,180	48,056
Current liabilities		
Trade and other payables	11,758	12,879
Income tax payable	55	–
Total current liabilities	11,813	12,879
Non-current liability		
Deferred income tax liabilities	8,369	8,827
Total non-current liability	8,369	8,827
Reconciliation to the Group's interest in the joint venture:		
Net assets	55,265	58,649
Less: Non-controlling interests	(13,097)	(13,731)
Net assets attributable to owners of the joint venture	42,168	44,918

- (a) The intangible asset represented customer contracts of the joint venture acquired at acquisition of the joint venture. Upon application of the equity method of accounting, the customer contracts were recognised at their fair value of RMB51,000,000 at the date of acquisition and were subsequently amortised on a units of production basis based on the timing of the contracts over their useful lives of approximately 28 years.

Notes to the Consolidated Financial Statements

13 INVESTMENT IN A JOINT VENTURE (Continued)

	2025 RMB'000	2024 RMB'000
Revenue	18,124	17,215
Depreciation and amortisation	(2,876)	(4,261)
Other operating expenses	(19,039)	(12,282)
Interest income	1	3
Income tax credit	404	362
(Loss)/profit from operations	(3,386)	1,037
Other comprehensive income/(expenses)	2	(2)
Total comprehensive (expenses)/income	(3,384)	1,035

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Illustrious Success is as follows:

	2025 RMB'000	2024 RMB'000
Net assets attributable to owners of Illustrious Success	42,168	44,918
Group's share in %	50%	50%
Group's share	21,084	22,459
Goodwill	37,097	37,097
Exchange adjustment	1,114	1,093
Impairment loss recognised	(16,149)	(14,149)
Carrying amount	43,146	46,500

Notes to the Consolidated Financial Statements

13 INVESTMENT IN A JOINT VENTURE (Continued)

Reconciliation of summarised financial information (Continued)

As at 31 December 2025 and 2024, the management of the Group carried out an impairment review on the carrying amount of its investment in joint venture by comparing the recoverable amount with the carrying amount of the investment in Illustrious Group. An impairment is recognised when the carrying amount of the investment in Illustrious Group exceeds its recoverable amount, which in turn is the higher of its value in use and its FVLCD.

In determining the value in use of the investment in Illustrious Group, the Group estimated the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows from the operations of the joint venture and estimated terminal value, calculated at a discount rate of 14.1% (2024: 13.6%).

Below is a summary of significant unobservable inputs to the valuation of value in use of the investment in Illustrious Success together with a quantitative sensitivity analysis as at 31 December 2025:

Valuation technique	Significant unobservable inputs	Percentage	Relationship of unobservable inputs to fair value	Sensitivity
Discounted cash flow model	Weighted Average Cost of Capital ("WACC")	14.1%	The higher the expected WACC, the lower the fair value.	1% increase/decrease in multiple would result in decrease/increase in fair value by RMB3,524,000 and RMB4,242,000, respectively
	Terminal growth rate	3%	The higher the expected terminal growth rate, the higher the fair value.	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB3,073,000 and RMB2,562,000, respectively

Notes to the Consolidated Financial Statements

13 INVESTMENT IN A JOINT VENTURE *(Continued)*

Reconciliation of summarised financial information *(Continued)*

The valuation of the recoverable amount based on value in use of the investment in Illustrious Group as at 31 December 2025 was carried out by Norton Appraisals Holdings Limited, an independent and qualified valuer not connected to the Group.

In view of the low profitability of Illustrious Group, based on the impairment assessment as at 31 December 2025, the recoverable amount of the investment in a joint venture was lower than its carrying amount. Impairment loss on the investment in a joint venture of approximately RMB2,000,000 has been recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 to reduce the carrying amount of the investment in a joint venture to its recoverable amount of approximately RMB43,146,000.

In view of the low profitability of Illustrious Group, based on the impairment assessment as at 31 December 2024, the recoverable amount of the investment in a joint venture was lower than its carrying amount. Impairment loss on the investment in a joint venture of approximately RMB3,415,000 has been recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 to reduce the carrying amount of the investment in a joint venture to its recoverable amount of approximately RMB46,500,000.

Notes to the Consolidated Financial Statements

14 LEASES

(a) Right-of-use assets

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

	Land use rights <i>RMB'000</i>	Office premises, plant and machinery and director's quarter <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	40,388	23,855	64,243
Additions	35,257	2,914	38,171
Early termination of leases	–	(209)	(209)
Depreciation	(1,331)	(2,015)	(3,346)
Transfer to property, plant and equipment (<i>Note 15</i>)	–	(20,884)	(20,884)
Foreign exchange movements	–	9	9
At 31 December 2024 and 1 January 2025	74,314	3,670	77,984
Additions	71	738	809
Lease modification	–	(208)	(208)
Depreciation	(1,153)	(1,803)	(2,956)
Surplus on revaluation	90,728	–	90,728
Foreign exchange movements	–	(7)	(7)
At 31 December 2025	163,960	2,390	166,350

Note:

Lump sum payments were made upfront to acquire the land use rights with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of their use.

In addition, the Group leases a number of properties in Mainland China and Hong Kong in which it operates. Leases of properties generally have lease terms of between 1 and 5 years.

As at 31 December 2025, the Group's land use rights with an aggregate net carrying amount of RMB163,960,000 (2024: RMB74,314,000) were pledged to secure bank borrowings (Note 30).

During the year ended 31 December 2024, the Group's right-of-use assets with an aggregate net carrying amount of RMB20,884,000 were transferred to plant and machinery upon the completion of a finance lease contract.

The land use rights held by the Group was accounted for as revaluation model with effect from 31 December 2025. Please refer to Note 15 for details.

Notes to the Consolidated Financial Statements

14 LEASES (Continued)

(b) Lease liabilities

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

	2025 RMB'000	2024 RMB'000
At 1 January	3,209	7,761
Additions	738	2,914
Early termination of lease	–	(249)
Interest expense	225	520
Lease modification	(208)	–
Lease payments	(1,567)	(7,746)
Foreign exchange movements	(7)	9
At 31 December	2,390	3,209

Future lease payments are due as follows:

	Future lease payments 31 December 2025 RMB'000	Interest 31 December 2025 RMB'000	Present value 31 December 2025 RMB'000
Not later than one year	1,580	(114)	1,466
Later than one year and not later than two years	585	(47)	538
Later than two years and not later than five years	396	(10)	386
	2,561	(171)	2,390

Notes to the Consolidated Financial Statements

14 LEASES (Continued)

(b) Lease liabilities (Continued)

	Future lease payments 31 December 2024 RMB'000	Interest 31 December 2024 RMB'000	Present value 31 December 2024 RMB'000
Not later than one year	1,491	(230)	1,261
Later than one year and not later than two years	1,314	(102)	1,212
Later than two years and not later than five years	792	(56)	736
	3,597	(388)	3,209

The present value of future lease payments are analysed as:

	2025 RMB'000	2024 RMB'000
Current liabilities	1,466	1,261
Non-current liabilities	924	1,948
	2,390	3,209

(c) The amount recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Depreciation of right-of-use assets (Note 7)	2,956	3,346
Interest on lease liabilities (Note 9)	225	520
Short-term lease expense (Note 7)	219	796
Low-value lease expense (Note 7)	—	23
Variable lease payments not included in the measurement of lease liabilities (Note 7)	—	1,441
Gain on early termination of lease (Note 6)	—	(40)
	3,400	6,086

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office furniture and equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024							
Cost	92,524	51,428	30,584	16,726	1,200	537,085	729,547
Accumulated depreciation	(35,065)	(33,244)	(19,274)	(6,228)	(240)	–	(94,051)
Net book amount	57,459	18,184	11,310	10,498	960	537,085	635,496
Year ended 31 December 2024							
Opening net book amount	57,459	18,184	11,310	10,498	960	537,085	635,496
Additions	203	834	984	72	–	152,934	155,027
Disposal	–	(81)	(8)	(11)	–	–	(100)
Transfer from right-of use assets (Note 14)	–	20,884	–	–	–	–	20,884
Depreciation (Note 7)	(2,795)	(3,150)	(2,806)	(1,268)	(240)	–	(10,259)
Closing net book amount	54,867	36,671	9,480	9,291	720	690,019	801,048
At 31 December 2024 and 1 January 2025							
Cost	92,361	73,663	31,486	16,687	1,200	690,019	905,416
Accumulated depreciation	(37,494)	(36,992)	(22,006)	(7,396)	(480)	–	(104,368)
Net book amount	54,867	36,671	9,480	9,291	720	690,019	801,048
Year ended 31 December 2025							
Opening net book amount	54,867	36,671	9,480	9,291	720	690,019	801,048
Additions	163	4,619	652	382	–	96,842	102,658
Disposal	–	(61)	(34)	(29)	–	–	(124)
Transfer	675,238	16,508	771	–	–	(692,517)	–
Surplus on revaluation	12,958	–	–	–	–	–	12,958
Loss on revaluation to profit or loss (Note 6)	(1,987)	–	–	–	–	–	(1,987)
Depreciation (Note 7)	(2,989)	(5,242)	(2,771)	(1,304)	(240)	–	(12,546)
Closing net book amount	738,250	52,495	8,098	8,340	480	94,344	902,007
At 31 December 2025							
Cost	738,250	94,420	32,567	17,040	1,200	94,344	977,821
Accumulated depreciation	–	(41,925)	(24,469)	(8,700)	(720)	–	(75,814)
Net book amount	738,250	52,495	8,098	8,340	480	94,344	902,007

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of construction in progress of approximately RMB94,344,000 (2024: RMB690,019,000) related to buildings, plant and machinery and office furniture and equipment under construction in Taizhou, the PRC, will be depreciated once the construction work is completed and available for use.

As at 31 December 2025, the Group's buildings and construction in progress with an aggregate net carrying amount of RMB738,250,000 (2024: RMB20,499,000) and Nil (2024: RMB625,315,000) respectively, were pledged to secure bank borrowings (Note 30).

As at 31 December 2025, the Group's plant and machinery with an aggregate net carrying amount of RMB37,359,000 (2024: RMB42,050,000) were held under sale and leaseback liabilities as set out in Note 30.

During the year ended 31 December 2024, the Group's right-of-use assets with an aggregate net carrying amount RMB20,884,000 were transferred to plant and machinery upon the completion of a finance lease contract.

Fair value measurement of the land and buildings

The Group had accounted for the land and buildings using the cost model in previous years. In order to more accurately reflect the value of the land and buildings held by the Group and provide more relevant information to the users of the financial statements of the Group, the directors of the Company had approved changes in the accounting policies of the Group for the land and buildings from cost model to revaluation model with effect from 31 December 2025. The Group had adopted the change in accounting policy of the land and buildings prospectively.

The Group's land and buildings were revalued on 31 December 2025 by Norton Appraisals Holdings Limited, an independent qualified valuer not related to the Group. The resulting revaluation gain of RMB90,728,000 (2024: Nil) arising from right-of-use assets, and revaluation gain of RMB12,958,000 (2024: Nil) arising from property, plant and equipment, respectively, net of the corresponding total deferred tax liabilities of RMB23,103,000 (2024: Nil), have been charged to the property revaluation reserve for the year ended 31 December 2025. A loss on revaluation on a building of approximately RMB1,987,000 (2024: Nil) is recognised to profit or loss. The valuations by the independent qualified valuer are arrived by direct comparison approach and depreciated replacement cost. The direct comparison approach is based on market observable recent transactions of similar properties in similar locations. The depreciated replacement cost approach is based on the current cost of replacement of the improvements cost less allowance for physical deterioration and all relevant forms of obsolescence and optimisations.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement of the land and buildings *(Continued)*

If the land and buildings of the Group had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amounts would have been approximately RMB727,279,000 (2024: Nil) as property, plant and equipment and approximately RMB73,232,000 (2024: Nil) as right-of-use assets as at 31 December 2025.

The following table gives information about how the fair values of these Land and Buildings are determined (in particular, the valuation technique and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value <i>RMB'000</i>	Valuation techniques	Unobservable inputs	Range of significant inputs	Effect on fair value for increase of inputs
As at 31 December 2025					
Industrial buildings in the PRC	729,770	Depreciated replacement cost approach	Direct replacement cost per square meter	RMB2,577-RMB7,185 per square meter	Increase
Commercial building in the PRC	8,480	Direct comparison approach	Market unit rate	RMB13,500 per square meter	Increase
Land in the PRC	163,960	Direct comparison approach	Market unit rate	RMB585 per square meter	Increase
	902,210				

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>	Patents <i>RMB'000</i>	Development cost <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
At 1 January 2024	801	750	1,563	3,114
Addition	–	–	84	84
At 31 December 2024 and 1 January 2025	801	750	1,647	3,198
Addition	15	–	–	15
At 31 December 2025	816	750	1,647	3,213
Accumulated amortisation				
At 1 January 2024	760	750	–	1,510
Amortisation	34	–	68	102
At 31 December 2024 and 1 January 2025	794	750	68	1,612
Amortisation	10	–	111	121
At 31 December 2025	804	750	179	1,733
Net book value				
At 31 December 2025	12	–	1,468	1,480
At 31 December 2024	7	–	1,579	1,586

Amortisation had been charged in administrative and other operating expenses.

Notes to the Consolidated Financial Statements

17 INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	28,593	23,637
Work in progress	1,872	591
Finished goods	32,283	33,365
	62,748	57,593

The cost of inventories included in cost of sales during the year ended 31 December 2025 amounted to RMB962,750,000 (2024: RMB762,481,000).

During the year ended 31 December 2025, the Group did not make or reverse any provision for inventories (2024: Nil).

18 TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Non-current		
Deposits	–	64
Current		
Trade receivables, net (a)	226,829	204,249
Other receivables, net (b)	42,263	28,365
Prepayments (c)	272,530	273,601
Deposits, net (d)	1,847	1,813
	543,469	508,028
	543,469	508,092

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
RMB	412,983	422,906
USD	130,412	84,363
HKD	74	823
	543,469	508,092

The fair values of trade and other receivables approximate to their carrying values as at the end of the reporting period.

(a) Trade receivables, net

The credit period granted to customers is generally between 0 to 360 days (2024: 0 to 360 days). The ageing analysis of the trade receivables from the date of sales is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Up to 3 months	158,135	110,787
3 to 6 months	55,519	50,249
6 to 12 months	15,973	15,914
Over 12 months	8,348	41,475
	237,975	218,425
Loss allowance for impairment	(11,146)	(14,176)
	226,829	204,249

The Group's sales are mainly made to several major customers and there is a concentration of credit risks. Sales of goods to the top five customers constituted 42% (2024: 44%) of the Group's revenue for the year. They accounted for 73% (2024: 74%) of the gross trade receivable balances as at 31 December 2025.

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables, net (Continued)

As at 31 December 2025, trade receivables with gross carrying amount of approximately RMB27,223,000 (2024: RMB90,054,000) were past due.

The Group and the Company recognised impairment loss based on the accounting policy in Note 2.10.2.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, from the date of sales, as of the end of reporting period.

	2025 RMB'000	2024 RMB'000
Up to 3 months	155,209	108,498
3 to 6 months	54,992	49,290
6 to 12 months	15,869	15,778
Over 12 months	759	30,683
	226,829	204,249

The movements in loss allowance for impairment of trade receivables were as follows:

	RMB'000
At 1 January 2024	8,941
Impairment losses recognised	5,235
At 31 December 2024 and 1 January 2025	14,176
Reversal of impairment losses recognised	(3,030)
At 31 December 2025	11,146

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables, net *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2025

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Current (not past due)	1.62	210,752	3,421
1-30 days past due	0.62	18,547	115
31-90 days past due	1.85	270	5
91-365 days past due	32.31	65	21
1 year past due	48.60	1,068	519
2-3 years past due	82.71	1,203	995
3 years past due	100.00	6,070	6,070
		237,975	11,146

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables, net (Continued)

As at 31 December 2024

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Current (not past due)	1.71	128,371	2,194
1-30 days past due	1.86	14,916	277
31-90 days past due	2.26	17,325	391
91-365 days past due	12.02	40,970	4,925
1 year past due	7.06	10,762	760
2-3 years past due	87.23	3,539	3,087
3 years past due	100.00	2,542	2,542
		218,425	14,176

(b) Other receivables, net

	2025 RMB'000	2024 RMB'000
Government grants receivable	21,448	24,852
Amount due from third parties (Note)	10,632	845
Other tax receivables	6,240	955
Others	3,943	1,713
	42,263	28,365

Note: The amount due from third parties are unsecured, interest-free and repayable on demand.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables, net *(Continued)*

The movements in loss allowance for impairment of other receivables were as follows:

	<i>RMB'000</i>
At 1 January 2024	3,309
Reversal of impairment losses recognised	(13)
Exchange adjustment	67
At 31 December 2024 and 1 January 2025	3,363
Impairment losses recognised	2,162
Exchange adjustment	(81)
At 31 December 2025	5,444

(c) Prepayments

Prepayments are mainly advance payments to suppliers for raw materials.

(d) Deposits, net

Deposits mainly represent rental deposits and deposits with suppliers for which there was no recent history of default and past due amounts. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

Notes to the Consolidated Financial Statements

19 PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2025 and 2024, prepayments for construction in progress, and plant and equipment represent advances made under construction contracts and purchases contracts for the development of production plant in the PRC.

20 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL

A. Financial Asset at FVOCI

(i) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more appropriate.

(ii) Equity investment in Ever Clever Group Limited (“Ever Clever”)

	2025 RMB'000	2024 RMB'000
Non-current		
Unlisted equity securities		
Ordinary shares – Ever Clever	–	–

The Group designated the equity investment in Ever Clever as a financial asset at FVOCI upon initial recognition as the investment is not held for trading.

25% equity interest in Ever Clever was initially recognised of approximately RMB152,155,000 at 8 January 2018.

As 懷來縣恒吉熱力有限公司 (Huailai Hengji Heat Supply Limited Company) (the “HGRL”) (the subsidiary of Ever Clever) has been taken over by another entity appointed by the Huailai county government since September 2020, the Directors of the Company considered that the takeover may be sustained and the HGRL’s financial position was in doubt. In addition, HGRL had significant overdue payables as at 31 December 2024 and 2025 based on litigation search records. The fair value of the financial asset at FVOCI was Nil as at 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

20 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL (Continued)

B. Financial Assets at FVTPL

	2025 RMB'000	2024 RMB'000
Non-current Equity investment (Note ii)	2,000	2,000
Current Profit guarantee in respect of investment in 25% equity interests of Ever Clever (the "Profit Guarantee") (Note i)	—	—

Notes:

- (i) During the year ended 31 December 2018, the Group acquired 25% equity interest of Ever Clever, which Perfect Century Group Limited (the "EC Vendor") irrevocably guaranteed the Group that, for each of the three consecutive twelve-month periods ending on 31 March 2020, the audited net profit after tax of HGRL, a non wholly-owned subsidiary of Ever Clever, in accordance with the HKFRS Accounting Standards should not be less than RMB55 million for the period from 1 April 2017 to 31 March 2018, RMB65 million for the period from 1 April 2018 to 31 March 2019 and RMB75 million for the period from 1 April 2019 to 31 March 2020 (the "Guaranteed Profit"). The Profit Guarantee represented the fair value of the amount of shortfall between the respective actual profit or loss and the Guaranteed Profit to be received by the Group if the Ever Clever failed to meet the Guaranteed Profit. Details of the Profit Guarantee were disclosed in the Company's announcement on 29 November 2017.

The Profit Guarantee contracted with the EC Vendor was recognised as a derivative financial instrument under HKFRS 9 and accounted for in accordance with Note 2.10.5.

During the year ended 31 December 2020, the Directors of the Company acted as plaintiff to commence the legal proceedings in the High Court of Hong Kong on 2 November 2020 against the EC Vendor as defendant for, among others, cash compensation payable by the EC Vendor as a result of the breach of its obligations under the sale and purchase agreement dated 29 November 2017 ("Sale and Purchase Agreement") to deliver the audited financial statements of HGRL and its failure to evidence or prove the fulfilment of the Profit Guarantee. Based on the unknown willingness and ability of the EC Vendor fulfilling the Profit Guarantee, the fair value of the Profit Guarantee was Nil as at 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

20 FINANCIAL ASSET AT FVOCI/FINANCIAL ASSET AT FVTPL (Continued)

B. Financial Assets at FVTPL (Continued)

Notes: (Continued)

(ii) Equity investment

The balance as at 31 December 2025 and 2024 represented unlisted equity investment in 10% equity interest of a private company incorporated in PRC.

No change in the fair value of the financial asset at FVTPL was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 and 2024.

In determining fair value, specific valuation techniques (market approach) are used. Information about fair value measurement using significant unobservable inputs (Level 3):

	Valuation technique	Significant of unobservable inputs	Amount	Relationship of Unobservable inputs to fair value	Sensitivity of fair value to the input
Equity investment	Market model	*EV/S ratio	0.25x	The higher EV/S ratio, the higher the fair value.	5% increase/decrease in EV/S ratio would result in increase/decrease in fair value by RMB86,000 (2024: RMB102,000)
		Discount for lack of marketability ("DLOM")	15.6%	The higher DLOM, the lower the fair value.	5% increase/decrease in DLOM would result in decrease/increase in fair value by RMB18,000 (2024: RMB20,000)

* EV/S ratio stands for Enterprise Value to Sale Ratio

Notes to the Consolidated Financial Statements

21 CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash at banks and on hand	42,676	32,087
Cash and cash equivalents	42,676	32,087

Cash at banks and on hand are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	35,419	29,593
HKD	434	672
USD	6,823	1,822
	42,676	32,087

The Group had cash and cash equivalents denominated in RMB of approximately RMB35,419,000 (2024: RMB29,593,000) and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government.

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk.

22 PLEDGED BANK DEPOSITS

Pledged bank deposits represented bank deposits placed as guarantee deposits for issuing notes payable (Note 28(b)) with an aggregate carrying amount of approximately RMB78,650,000 (2024: RMB69,990,000) and secure the Group's banking facilities (Note 30) with an aggregate carrying amount of approximately RMB14,764,000 (2024: RMB15,099,000).

The effective interest rate of pledged bank deposits was 0.10% (2024: 0.51%) per annum at 31 December 2025. All pledged bank deposits were denominated in RMB and USD, and kept with banks in the PRC and Hong Kong.

Notes to the Consolidated Financial Statements

23 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost		Assets at FVOCI		Assets at FVTPL		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
At 31 December								
Assets as per consolidated statement of financial position								
Trade and other receivables (excluding prepayments, government grant receivables and other tax receivables)	243,251	208,684	-	-	-	-	243,251	208,684
Financial assets at FVTPL	-	-	-	-	2,000	2,000	2,000	2,000
Cash and cash equivalents	42,676	32,087	-	-	-	-	42,676	32,087
Pledged bank deposits	93,414	85,089	-	-	-	-	93,414	85,089
Total	379,341	325,860	-	-	2,000	2,000	381,341	327,860

	Liabilities at amortised cost		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
At 31 December				
Liabilities as per consolidated statement of financial position				
Bank and other borrowings	702,698	637,546	702,698	637,546
Trade and other payables (excluding other taxes payable)	545,096	531,104	545,096	531,104
Lease liabilities	2,390	3,209	2,390	3,209
Total	1,250,184	1,171,859	1,250,184	1,171,859

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL AND SHARE PREMIUM

31 December 2025 and 2024			
	Number of shares (thousands)	HKD'000	
Authorised capital:			
Ordinary shares of HKD0.01 each	2,000,000	20,000	
	Issued and fully paid: Share capital Number of ordinary shares (of HKD0.01 each)	RMB'000	Share premium RMB'000
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	491,800,000	3,901	150,143

All shares issued rank pari passu against each other. There are no changes in the issued capital of the Company at the years ended 31 December 2025 and 2024.

25 FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2025, the Company has executed two guarantees (2024: two) to the financial institution in the amount not exceeding RMB69,115,000 (2024: RMB55,377,000) to secure the bank borrowings (Note 30) borrowed by a wholly-owned subsidiary, totalling approximately RMB43,560,000 (2024: RMB41,567,000).

As at 31 December 2025, a wholly-owned subsidiary has executed a guarantee (2024: one) to a financial institution to secure the facilities available to the Company in the amount not exceeding USD7,000,000 (equivalent to approximately RMB49,202,000) (2024: USD7,000,000 (equivalent to approximately RMB50,319,000)). As at 31 December 2024 and 2025, all banking facilities of this guarantee was utilised.

Notes to the Consolidated Financial Statements

26 OTHER RESERVES OF THE GROUP

	Capital reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Investment revaluation reserve <i>RMB'000</i>	Property revaluation reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Convertible bonds equity reserve <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	8,986	28,029	52,981	(152,155)	-	(10,818)	7,176	4,687	(61,114)
Profit appropriation (a)	-	-	5,995	-	-	-	-	-	5,995
Derecognition of equity component of convertible bonds (Note 29)	-	-	-	-	-	-	(7,176)	-	(7,176)
Currency translation differences	-	-	-	-	-	(13,453)	-	-	(13,453)
At 31 December 2024 and 1 January 2025	8,986	28,029	58,976	(152,155)	-	(24,271)	-	4,687	(75,748)
Profit appropriation (a)	-	-	5,694	-	-	-	-	-	5,694
Currency translation differences	-	-	-	-	-	13,729	-	-	13,729
Gain on revaluation of land and buildings	-	-	-	-	103,686	-	-	-	103,686
Deferred taxation relating to revaluation of land and buildings	-	-	-	-	(23,103)	-	-	-	(23,103)
At 31 December 2025	8,986	28,029	64,670	(152,155)	80,583	(10,542)	-	4,687	24,258

- (a) In accordance with relevant laws and regulations of the PRC, Ludao PRC should make appropriation of not less than 10% of its net income after tax to legal reserve. Further appropriation is optional when the accumulated statutory reserve reaches 50% or more of its registered capital. Upon approval from the board of directors, the statutory reserves can be used to offset accumulated losses of Ludao PRC.

27 DEFERRED GOVERNMENT GRANTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At 1 January	9,486	9,808
Recognised to consolidated profit or loss	(304)	(322)
At 31 December	9,182	9,486

The amount mainly represents various government grants received for subsidising its investments in fixed assets.

Notes to the Consolidated Financial Statements

28 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables (a)	184,048	182,082
Notes payable (b)	226,850	149,159
	410,898	331,241
Other payables:		
Deposit received from customers	3,034	3,087
Other taxes payable	20	44
Accrued salaries and wages	4,470	4,117
Accrued interest	493	506
Accrued expenses and others	126,201	192,153
	134,218	199,907
	545,116	531,148

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	544,419	530,432
HKD	453	465
USD	244	251
	545,116	531,148

The fair values of trade and other payables approximated to their carrying values as at the year end dates.

Notes to the Consolidated Financial Statements

28 TRADE AND OTHER PAYABLES (Continued)

(a) The ageing analysis of trade payables by invoice date is as follows:

	2025 RMB'000	2024 RMB'000
Up to 3 months	121,110	86,428
3 to 6 months	42,455	67,082
6 to 12 months	9,297	17,191
Over 12 months	11,186	11,381
	184,048	182,082

The credit period granted by the Group's suppliers ranges from 0 to 90 days.

(b) Notes payables represented bank acceptance notes, which were subject to surcharge ranging from 0% to 0.06% (2024: 0% to 0.06%) of the face value of the notes, with maturity dates from 3 January 2026 to 17 September 2026 (2024: from 29 January 2025 to 24 September 2025).

As at 31 December 2025 and 2024, note payables were secured by pledged bank deposits (Note 22) of the Group with an aggregate carrying amount of approximately RMB78,650,000 (2024: RMB69,990,000), and guaranteed by a director of the Group and a close family member of director of the Group.

Notes to the Consolidated Financial Statements

29 CONVERTIBLE BONDS

On 4 October 2021, the Company completed the issuance of convertible bonds (the “Convertible Bonds due 2024”) in an aggregate principal amount of HK\$93,300,000 (equivalent to approximately RMB77,224,000).

The Convertible Bonds due 2024 is denominated in HKD, bear interest at the rate of 5.87% per annum, payable semi-annually in arrears, and will be matured on three years from the issue date. The holders of Convertible Bonds due 2024 shall have a right to convert the Convertible Bonds due 2024 into ordinary shares of the Company at the conversion price of HKD2.00 per share during the conversion period. The effective interest rate of the liability component of the Convertible Bonds due 2024 is 9.75% per annum.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	Convertible Bonds due 2024		
	Liability component	Equity component	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2024	83,235	7,176	90,411
Interest expense (<i>Note 9</i>)	6,311	–	6,311
Repayment	(89,986)	–	(89,986)
Foreign exchange movements	440	–	440
Transfer to retained earnings due to maturity	–	(7,176)	(7,176)
At 31 December 2024, 1 January 2025 and 31 December 2025	–	–	–

Notes to the Consolidated Financial Statements

29 CONVERTIBLE BONDS (Continued)

The Group's Convertible Bonds due 2024 were valued by an independent valuer by using binomial option pricing model with the following key assumptions at the issuance date of the Convertible Bonds due 2024:

	2021
Stock price of the Company	HKD1.25
Volatility	39.0%
Risk-free interest rate	0.41%
Bond discount rate	9.75%

30 BANK AND OTHER BORROWINGS

	2025 RMB'000	2024 RMB'000
Non-current		
Secured and guaranteed interest-bearing bank borrowings repayable more than one year (Note (i) & (ii))	236,280	276,424
Sales and leaseback (Note (iii))	–	2,654
	236,280	279,078
Current		
Secured and guaranteed interest-bearing bank borrowings repayable within one year (Note (i) & (ii))	365,604	278,562
Unsecured and guaranteed interest-bearing bank borrowings repayable within one year (Note (ii))	88,160	53,167
Unsecured and unguaranteed interest-bearing bank borrowings repayable within one year	10,000	10,000
Sales and leaseback (Note (iii))	2,654	16,739
	466,418	358,468
	702,698	637,546

Notes to the Consolidated Financial Statements

30 BANK AND OTHER BORROWINGS (Continued)

Notes:

- (i) The bank borrowings are secured by:
 - (a) building with an aggregate net carrying amount of approximately RMB738,250,000 as at 31 December 2025 (2024: RMB20,499,000) as disclosed in Note 15;
 - (b) construction in progress with an aggregate carrying amount of Nil as at 31 December 2025 (2024: RMB625,315,000) as disclosed in Note 15;
 - (c) land use rights with an aggregate net carrying amount of approximately RMB163,960,000 as at 31 December 2025 (2024: RMB74,314,000) as disclosed in Note 14;
 - (d) pledged bank deposits with an aggregate carrying amount of approximately RMB14,764,000 as at 31 December 2025 (2024: RMB15,099,000) as disclosed in Note 22; and
 - (e) property, plant and equipment of the supplier of the Group as at 31 December 2025.
- (ii) The bank borrowings are guaranteed by:
 - (a) a director of the Group;
 - (b) a close family member of directors of the Group; and
 - (c) a supplier of the Group.
- (iii) As at 31 December 2025, the Group's plant and machinery with an aggregate net carrying amount of RMB37,359,000 (2024: RMB42,050,000) were held under sale and leaseback liabilities disclosed in Note 15.

As at 31 December 2025, the Group's unutilised bank facilities was approximately RMB828,827,000 (2024: RMB359,138,000).

The exposure of the Group's bank borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, is within one year.

The annual weighted average effective interest rate as at 31 December 2025 was 4.30% (2024: 4.78%).

At the end of the reporting period, the Group's bank borrowings are scheduled to repay as follows:

	2025 RMB'000	2024 RMB'000
On demand or within one year	463,764	341,729
More than one year, but not exceeding two years	50,187	40,144
More than two years, but not exceeding five years	186,093	170,667
More than five years	—	65,613
	700,044	618,153

Notes to the Consolidated Financial Statements

30 BANK AND OTHER BORROWINGS (Continued)

At the end of the reporting period, the Group's sale and leaseback liabilities are scheduled to repay as follows:

	2025 RMB'000	2024 RMB'000
On demand or within one year	2,654	16,739
More than one year, but not exceeding two years	—	2,654
More than two years, but not exceeding five years	—	—
	2,654	19,393

The exposure of the Group's interest-bearing bank borrowings are as follows:

	2025 RMB'000	2024 RMB'000
Fixed-rate bank borrowings	454,384	417,710
Floating-rate bank borrowings	248,314	219,836
	702,698	637,546

The carrying amounts of bank borrowings are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
USD	49,200	50,443
RMB	653,498	587,103
	702,698	637,546

The carrying amounts of bank borrowings approximate to their fair values and the impact of discounting is not material.

Notes to the Consolidated Financial Statements

31 DEFERRED TAX

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Government grants payable RMB'000	ECL allowance RMB'000	Lease liabilities RMB'000	Right-of-use assets RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustment on financial asset at FVTPL RMB'000	LAT RMB'000	Fair value adjustment on land use right RMB'000	Fair value adjustment on property, plant and equipment RMB'000	Revaluation of land and buildings RMB'000	Total RMB'000
At 1 January 2024	16	2,044	(592)	560	(927)	(250)	(1,843)	(1,877)	(3,451)	-	(6,320)
(Charged)/credited to the consolidated profit or loss	(5)	730	(211)	226	497	-	54	41	-	-	1,332
At 31 December 2024 and 1 January 2025	11	2,774	(803)	786	(430)	(250)	(1,789)	(1,836)	(3,451)	-	(4,988)
(Charged)/credited to the consolidated profit or loss	(3)	528	211	(189)	(11,432)	-	54	41	-	-	(10,790)
Charged to the other comprehensive income	-	-	-	-	-	-	-	-	-	(23,103)	(23,103)
As at 31 December 2025	8	3,302	(592)	597	(11,862)	(250)	(1,735)	(1,795)	(3,451)	(23,103)	(38,881)

(ii) Reconciliation to the consolidated statement of financial position

	2025 RMB'000	2024 RMB'000
Deferred tax assets	3,315	2,768
Deferred tax liabilities	(42,196)	(7,756)
	(38,881)	(4,988)

32 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2025 (2024: Nil).

Notes to the Consolidated Financial Statements

33 CASH FLOWS INFORMATION

(i) Reconciliation of profit before income tax to cash generated from operations

	2025 RMB'000	2024 RMB'000
Profit before income tax	74,568	58,840
Adjustments for:		
Interest income (Note 9)	(391)	(883)
Interest expense (Note 9)	1,068	8,681
Depreciation of property, plant and equipment (Note 15)	12,546	10,259
Inventories written off (Note 7)	383	128
Share of results of a joint venture (Note 13)	1,375	(408)
Impairment loss on investment in a joint venture (Note 13)	2,000	3,415
Depreciation of right-of-use assets (Note 14)	2,956	3,346
Amortisation of intangible assets (Note 16)	121	102
(Reversal of impairment loss)/impairment losses on trade receivables, other receivables and deposits	(868)	5,222
Deferred government grants income (Note 27)	(304)	(322)
(Gain)/loss on disposals of property, plant and equipment (Note 6)	(202)	75
Gain on early termination of lease (Note 6)	–	(40)
Loss on revaluation of buildings (Note 6)	1,987	–
Changes in working capital:		
Increase in trade and other receivables	(36,011)	(148,686)
Increase in inventories	(5,538)	(9,086)
(Decrease)/increase in trade and other payables and contract liabilities	(92,447)	269,304
Cash (used in)/generated from operations	(38,757)	199,947

Notes to the Consolidated Financial Statements

33 CASH FLOWS INFORMATION (Continued)

(ii) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings (Note 30) RMB'000	Interest payable (Note 28) RMB'000	Notes payables (Note 28(b)) RMB'000	Lease liabilities (Note 14) RMB'000	Total RMB'000
At 1 January 2025	637,546	506	149,159	3,209	790,420
Changes from cash flows:					
Proceeds from bank and other borrowings	370,433	-	-	-	370,433
Repayment of bank and other borrowings	(304,038)	-	-	-	(304,038)
Interest paid	-	(30,283)	-	(225)	(30,508)
Proceeds from notes payable	-	-	426,030	-	426,030
Repayment of notes payable	-	-	(348,339)	-	(348,339)
Repayment of principal portion of lease liabilities	-	-	-	(1,342)	(1,342)
Total changes from financing cash flows:	66,395	(30,283)	77,691	(1,567)	112,236
Foreign exchange adjustments:	(1,243)	(13)	-	(7)	(1,263)
Other changes:					
Interest expenses (non-cash)	-	843	-	225	1,068
Finance cost capitalised in construction-in-progress (non-cash)	-	29,440	-	-	29,440
Addition of lease liabilities (non-cash)	-	-	-	738	738
Lease modification (non-cash)	-	-	-	(208)	(208)
Total other changes	(1,243)	30,270	-	748	29,775
At 31 December 2025	702,698	493	226,850	2,390	932,431

Notes to the Consolidated Financial Statements

33 CASH FLOWS INFORMATION (Continued)

(ii) Reconciliation of liabilities arising from financing activities (Continued)

	Bank and other borrowings (Note 30) RMB'000	Interest payable (Note 28) RMB'000	Notes payables (Note 28(b)) RMB'000	Convertible bonds – liability component (Note 29) RMB'000	Lease liabilities (Note 14) RMB'000	Total RMB'000
At 1 January 2024	621,973	495	77,750	83,235	7,761	791,214
Changes from cash flows:						
Proceeds from bank and other borrowings	354,339	–	–	–	–	354,339
Repayment of bank and other borrowings	(339,689)	–	–	–	–	(339,689)
Interest paid	–	(32,972)	–	–	(520)	(33,492)
Proceeds from notes payable	–	–	268,139	–	–	268,139
Repayment of notes payable	–	–	(196,730)	–	–	(196,730)
Repayment of convertible bonds	–	–	–	(89,986)	–	(89,986)
Repayment of principal portion of lease liabilities	–	–	–	–	(7,226)	(7,226)
Total changes from financing cash flows:	14,650	(32,972)	71,409	(89,986)	(7,746)	(44,645)
Foreign exchange adjustments:	923	11	–	440	9	1,383
Other changes:						
Interest expenses (non-cash)	–	1,850	–	6,311	520	8,681
Finance cost capitalised in construction-in-progress (non-cash)	–	31,122	–	–	–	31,122
Addition of lease liabilities (non-cash)	–	–	–	–	2,914	2,914
Termination of lease (non-cash)	–	–	–	–	(249)	(249)
Total other changes	923	32,983	–	6,751	3,194	43,851
At 31 December 2024	637,546	506	149,159	–	3,209	790,420

Notes to the Consolidated Financial Statements

33 CASH FLOWS INFORMATION *(Continued)*

(iii) Major non-cash transactions

During the current year, the Group had non-cash additions to right-of-use assets (Note 14(a)) and lease liabilities (Note 14(b)) of approximately RMB738,000 (2024: RMB2,914,000) and RMB738,000 (2024: RMB2,914,000) respectively, in respect of lease arrangements for office and plant. Prepayments for property, plant and equipment of approximately RMB40,723,000 were transferred to property, plant and equipment for the year (2024: RMB83,379,000).

34 CONTINGENT LIABILITIES

As at 31 December 2025, the Group and the Company had no significant contingent liabilities (2024: Nil).

35 CAPITAL COMMITMENTS

The Group's capital expenditure contracted for but not yet incurred, excluding amounts recorded in prepayments for property, plant and equipment, is as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	156,742	263,723

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	Notes	As at 31 December	
		2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		152	469
Investments in subsidiaries	(a)	15,295	15,295
Investment in a joint venture		43,146	46,500
Trade and other receivables		–	64
		58,593	62,328
Current assets			
Trade and other receivables		74	12
Pledged bank deposits		14,764	15,099
Cash and cash equivalents		3,665	2,037
		18,503	17,148
Total assets		77,096	79,476
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		3,901	3,901
Share premium		165,873	165,873
Other reserves	(b)	15,466	14,276
Accumulated losses	(c)	(424,038)	(420,473)
Total deficit		(238,798)	(236,423)

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

	Notes	As at 31 December	
		2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	170
		–	170
Current liabilities			
Trade and other payables		1,769	1,821
Bank borrowings		49,200	50,443
Amounts due to subsidiaries		264,759	263,153
Convertible bonds		–	–
Lease liabilities		166	312
		315,894	315,729
Total liabilities		315,894	315,899
Total equity and liabilities		77,096	79,476

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2026 and was signed on its behalf.

Yu Yuerong
Director

Wang Xiaobing
Director

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(Continued)

Statement of financial position of the Company (Continued)

(a) The following is a list of the principal subsidiaries at 31 December 2025 and 2024:

Name	Form of business structure	Place and date of incorporation/ establishment and operation	Issued share capital/paid up registered capital	Equity interest held		Principal activities and place of operation
				2025	2024	
<i>Directly held:</i>						
Ludao BVI	Limited liability company	Incorporated in BVI on 18 December 2007	111 ordinary shares of USD111	100%	100%	Investment holding, BVI
<i>Indirectly held:</i>						
Ludao PRC	Wholly-foreign owned enterprise	Established in the PRC on 23 August 2002	HKD487,000,000	100%	100%	Manufacturing and selling of aerosol products, the PRC
吉林景維康藥業有限公司 (Jilin Jinweikang Pharmaceutical Co., Ltd* ("Jinweikang Pharmaceutical"))	Limited liability company	Established in the PRC on 13 September 2017	RMB68,550,000	98.6%	98.6%	Research and development, manufacture and sale of medical and edible aerosol products, the PRC
浙江國藥景岳氣霧劑有限公司 (Zhejiang Sinopharm Jinyue Aerosol Co., Ltd* ("Zhejiang Sinopharm Aerosol"))	Limited liability company	Established in the PRC on 27 June 2019	RMB445,600,000	99.8%	99.8%	Research and development on aerosol and make up product, provide consultancy service on aerosol and make up product, production and manufacturing and selling of aerosol and related products, the PRC

* The English name is for identification purpose only.

All subsidiaries are limited liability companies.

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(Continued)

Statement of financial position of the Company (Continued)

(b) Reserve movement of the Company

	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2024	7,176	15,070	22,246
Derecognition of equity component of convertible bonds (Note 29)	(7,176)	–	(7,176)
Currency translation differences	–	(794)	(794)
At 31 December 2024 and 1 January 2025	–	14,276	14,276
Currency translation differences	–	1,190	1,190
At 31 December 2025	–	15,466	15,466

(c) Accumulated losses

	2025 RMB'000	2024 RMB'000
Balance at 1 January	(420,473)	(398,853)
Losses for the year	(3,565)	(28,796)
Derecognition of equity component of convertible bonds (Note 29)	–	7,176
Balance at 31 December	(424,038)	(420,473)

Notes to the Consolidated Financial Statements

37 BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The directors' emoluments during the year are equivalent to key management compensation.

The remuneration of each director and the chief executive of the Company is set out below:

Name of Directors	Fee		Salary		Discretionary bonus		Employer's contribution to retirement scheme		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Executive Directors										
Mr. Yu Yuerong – also the chief executive	-	-	1,100	1,093	-	-	17	16	1,117	1,109
Ms. Pan Yili	-	-	108	107	-	-	21	20	129	127
Mr. Wang Xiaobing	-	-	280	243	-	-	27	25	307	268
	-	-	1,488	1,443	-	-	65	61	1,553	1,504
Independence non-executive Directors										
Mr. Chan Yin Tsung	165	164	-	-	-	-	-	-	165	164
Mr. Ruan Lianfa	-	-	142	142	-	-	-	-	142	142
Ms. Yau Kit Kuen Jean	165	164	-	-	-	-	-	-	165	164
	330	328	142	142	-	-	-	-	472	470

During the year, no directors or any of the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the companies comprising the Group or as compensation for loss of office.

There was no directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services and no loans, quasi-loans or other dealings entered into by the Group in favour of any directors, bodies corporate controlled by and entities connected with such directors during the year (2024: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

38 SUBSEQUENT EVENTS

As at the date of approval of the consolidated financial statements, the Group has no significant event after the reporting period that needs to be disclosed.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is prepared on the basis set out in the notes below:

RESULTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
REVENUE	1,118,404	906,846	705,753	534,701	476,397
Cost of sales	(966,793)	(765,010)	(572,642)	(451,326)	(347,809)
Gross profit	151,611	141,836	133,111	83,375	128,588
Other income and other (losses)/gains – net	25,428	17,918	16,730	37,171	30,773
Selling expenses	(29,296)	(21,304)	(27,810)	(20,612)	(25,471)
Administrative expenses and impairment losses	(71,237)	(74,521)	(63,109)	(61,294)	(74,237)
Finance costs – net	(563)	(5,497)	(10,556)	(14,107)	(18,105)
Share of results of a joint venture	(1,375)	408	132	203	(1,500)
PROFIT BEFORE INCOME TAX	74,568	58,840	48,498	24,736	40,048
Income tax expense	(18,304)	(7,557)	(4,940)	(2,685)	(4,818)
PROFIT FOR THE YEAR	56,264	51,283	43,558	22,051	35,230

ASSETS AND LIABILITIES

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
TOTAL ASSETS	1,928,615	1,694,817	1,389,011	1,150,223	933,756
TOTAL LIABILITIES	1,330,643	1,247,421	979,445	775,841	553,986
	597,972	447,396	409,566	374,382	379,770

Notes:

1. The consolidated results of the Group for each of the two years ended 31 December 2025 and 2024 and the consolidated assets and liabilities of the Group as at 31 December 2025 and 2024 are set out on pages 83 to 191 of this annual report.
2. The above summary was prepared as if the current structure of the Group had been in existence throughout these financial years.