RENHENG Enterprise Holdings Limited

仁 恒 實 業 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3628)

ANNUAL REPORT 2025

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Liu Li *(Chairman and Chief Executive Officer)*
Ms. Lew Lai Kuen
Mr. Wen Yuan *(Resigned on 20 February 2026)*

Independent Non-executive Directors

Dr. Lam Lee G.
Mr. Lam Chi Wing
Mr. Wu Wei *(Resigned on 31 October 2025)*
Mr. Cheung Kwong Tat *(Appointed on 31 October 2025)*

AUDIT COMMITTEE

Dr. Lam Lee G. *(Chairman)*
Mr. Wu Wei *(Resigned on 31 October 2025)*
Mr. Lam Chi Wing
Mr. Cheung Kwong Tat *(Appointed on 31 October 2025)*

REMUNERATION COMMITTEE

Mr. Lam Chi WIng *(Chairman)*
Dr. Lam Lee G.
Mr. Wu Wei *(Resigned on 31 October 2025)*
Mr. Cheung Kwong Tat *(Appointed on 31 October 2025)*

NOMINATION COMMITTEE

Mr. Cheung Kwong Tat *(Chairman)*
(Appointed on 31 October 2025)
Mr. Lam Chi Wing
Dr. Lam Lee G.
Mr. Wu Wei *(Resigned on 31 October 2025)*

COMPANY SECRETARY

Mr. Tsang Chi Hon

AUTHORISED REPRESENTATIVES

Ms. Liu Li
Mr. Tsang Chi Hon

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3805, 38/F.
Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Ngans Lawyers LLP

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 304
Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman KY1-1100
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 BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Industrial and Commercial Bank of China Limited,
Baoying Sub-Branch
China Construction Bank Corporation,
Baoying Sub-Branch
China Merchants Bank Co., Ltd.,
Yangzhou Branch, Wenchang Sub Branch
China Everbright Bank Co., Ltd., Baoying Sub Branch

STOCK CODE

3628

CORPORATE WEBSITE

www.renhengenterprise.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of RENHENG Enterprise Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2025.

For 2025 the Group achieved turnover of approximately HK$107,422,000, representing a decrease of approximately 6.5%, which was mainly attributable to experienced decreases of the business of the product of the construction contracts of casing and flavouring system. The net profit attributable to shareholders for the year was approximately HK$13,955,000 (2024: profit for the year of HK$7,035,000). The increase in the Group's net profit was attributable to: (1) an increase in gross profit, which was driven by variations in the project pricing for non-standard customised equipment arising from quotation strategies and bid types, resulting in higher gross profit margins for certain projects and products; and (2) considerable growth in total sales contributed by the pneumatic feeding system during the year, which share of the sales mix expanded to 17.1% for the Relevant Period (2024: 3.1%).

The Group mainly deal with the customer (named "Tobacco Monopoly Administration of the PRC"), which is one of the world's largest tobacco manufacturers. It is believed that the tobacco machinery industry in PRC would be in a steady momentum in the coming years. Being the chief cigarette manufacturers in the PRC, they keep looking for new sets of tobacco machinery products with higher degree of technology to replace their existing machines. This maintains a steady demand to our catalogue special-purpose tobacco machinery products. So that, as being the one of the thirty-five licenced manufacturers, the Group will keep focusing on the technology advancement in their cigarettes in order to fulfill the customer's demand.

Looking back to 2025, the volatilities, uncertainties, complexities and ambiguities exited in the past few years. However, benefiting from the Tobacco machinery businesses, it provides a good foundation for us to explore our new developments in order to diversify our revenue structure in the future.

On behalf of the Board, I would like to express my heartfelt thanks to our business partners, banks and shareholders for their continuous support, as well as our committed management and staff who have significant contribution to the development and success of the Group during past years.

Liu Li
Chairman and Chief Executive Officer
30 March 2026

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Liu Li

Ms. Liu Li ("Ms. Liu"), aged 55, is an executive director of the Company and is responsible for overall business planning, strategic development, human resources and administration functions of our Group. In February 2007, Ms. Liu was appointed as a director of Yanlord Industry Investment Limited ("Yanlord Industry Investment") and has been responsible for overseeing the operation of Bao Ying Ren Heng Industrial Co., Ltd ("Baoying Renheng") thereafter since the completion of the transfer of equity interest in Baoying Renheng from Yanlord (Holdings) Industrial Limited to Yanlord Industry Investment in 2008. Ms. Liu is principally responsible for the treasury, human resources and administrative functions of the Company. Ms. Liu obtained a bachelor's degree in sport management from Beijing Sport University in July 1992. Ms. Liu was appointed as an executive director on 2 February 2011.

Ms. Lew Lai Kuen

Ms. Lew Lai Kuen ("Ms. Lew"), aged 62, is an executive director of the Company and is responsible for overall business planning, strategic development, human resources and administrative functions of the Group. Ms. Lew was appointed as an executive director in July 2024. Ms. Lew obtained a professional diploma in logistics management from International Transport& Logistics Association in collaboration with International City University of America in June 2005. Ms. Lew joined Far East Polyfoam Ltd. from October 1982 to July 1985, where she served as a clerk of the company. From January 1986 to April 2003, Ms. Lew joined Oceancrete Limited and served as a marketing officer to assist the marketing manager for overseas and local sales. Prior to joining our Group, Ms. Lew joined Yanlord Paper Limited to serve as a marketing manager responsible for managing the department of marketing and customer services and providing professional customer support to the customers since August 2003.

INDEPENDENT NON EXECUTIVE DIRECTORS

Mr. Lam Chi Wing

Mr. Lam Chi Wing ("Mr. Lam"), aged 46, joined the Group in 2023. Mr. Lam is chairman of the Remuneration Committee and is a member of each of the Audit Committee and the Nomination Committee. Mr. Lam has extensive international experience in corporate management, strategy consulting, corporate governance, direct investment, investment banking and asset management. Mr. Lam obtained a bachelor of business administration in accounting and finance degree from The University of Hong Kong in December 2003, a master of science in knowledge management degree from The Hong Kong Polytechnic University in December 2006, a master of business administration degree from The Chinese University of Hong Kong in December 2010 and an executive master in public administration from Tsinghua University in January 2024.

Mr. Lam served as an executive director of Bonjour Holdings Limited (stock code: 653) from July 2020 to December 2020 and an independent non-executive director of Aidigong Maternal & Child Health Limited (stock code: 286) from March 2016 to December 2022 and from October 2023 to February 2025, an independent non-executive director of Wai Hung Group Holdings Limited (stock code: 3321) from March 2019 to September 2024, and independent non-executive director of MTT Group Holdings Limited (stock code: 2350) from August 2022 to August 2025, an independent non-executive director of Space Group Holdings Limited (stock code: 2448) from April 2023 to February 2026, an independent non-executive director of TOMO Holdings Limited (stock code: 6928) from January 2024 to June 2025, and a non-executive director of DreamEast Group Limited (stock code: 593) from November 2023 to January 2026, the shares of all of which were listed on the Main Board of the Stock Exchange. Mr. Lam is currently an independent non-executive director of each of China Wantian Holdings Limited (stock code: 1854), Alco Holdings Limited (stock code: 328) and Carry Wealth Holdings Limited (stock code: 643) the shares of all of which are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

Dr. LAM, Lee G.

Dr. Lam Lee G. ("Dr. Lam"), aged 66, joined the Group in 2022. He is chairman of the Audit Committee and is a member of each of the Remuneration Committee and the Nomination Committee. Dr. Lam has extensive international experience in corporate management, strategy consulting, corporate governance, risk management, policy development and advocacy, direct investment, investment banking and asset management spheres.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, a post-graduate Diploma in Public Administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law, an LLB (Hons) in law and an LLM (Legal Practice) from Manchester Metropolitan University in the UK, an LLM (Corporate Law) from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong School of Continuing and Professional Studies, an MPA and a PhD from the University of Hong Kong. Dr. Lam is a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar). He is an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of Certified Management Accountants (CMA) Australia, the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an international affiliate of the Hong Kong Institute of Certified Public Accountants (HKICPA), an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education, and a Distinguished Fellow of the Hong Kong Innovative Technology Development Association.

Also active in community service and international exchange and cooperation, Dr. Lam is a Hong Kong accounting advisory expert of the PRC Ministry of Finance, a member of the Consultative Committee on Guangdong-Hong Kong Co-operation (Guangzhou Nansha), Chairman of the Technology and Innovation Committee of the Belt and Road General Chamber of Commerce, Advisor to Our Hong Kong Foundation, President of InvestAI Foundation, Honorary Senior Research Fellow of the Hang Seng University of Hong Kong Centre for ESG Research, Honorary Chairman of GBA Hong Kong Chapter of the International Intellectual Property Commercialization Council (IIPCC), Advisor to Hong Kong Investor Relations Association, Consultant to Hong Kong Legal Exchange Foundation, Senior Advisor to the Australian Chamber of Commerce in Hong Kong and Macau, Senior Advisor to Yesports Master Club, Honorary Advisor to Junior Achievement Hong Kong, Honorary Chairman of RWA Research Institute, Honorary President of Internet Professional Association, Founding Advisor to Hong Kong Digital Asset Society, Honorary Advisor to Hong Kong PropTech Association, Vice President of Hong Kong Real Property Federation, Chair of United Nations ESCAP Sustainable Business Network Finance Task Force, and a member of the Board of Directors and Chairman of the Permanent Commission on Economic and Financial Issues of the World Union of Small and Medium Enterprises.

Dr. Lam is an independent non-executive director of each of RENHENG Enterprise Holdings Limited (Stock Code: 3628) and Bitfire Group Holdings Limited (Stock Code: 1611, fka Sinohope Technology Holdings Limited), and a non-executive director of Mingfa Group (International) Company Limited (Stock Code: 846; he was re-designated from independent non-executive director on 23 April 2020), the shares of all of which are listed on the Stock Exchange. He is also an independent non-executive director of Pacific Resources Ltd (Stock Code: PXR, fka AustChina Holdings Limited) whose shares are listed on the Australian Securities Exchange.

In the past three years, Dr. Lam was an executive director of USPACE Technology Group Limited (Stock Code: 1725, fka Hong Kong Aerospace Technology Group Limited; he was re-designated from non-executive director on 3 January 2022) up to May 2024, the shares of which are listed on the Stock Exchange, a non-executive director of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188) and China Hong Kong Power Smart Energy Group Limited (Stock Code: 931, fka China LNG Group Limited) both up to February 2024. He was also an independent non-executive director of Mei Ah Entertainment Group Limited (Stock Code: 391) up to 30 December 2024, Hang Pin Living Technology Company Limited (Stock Code: 1682) up to October 2024, Greenland Hong Kong Holdings Limited (Stock Code: 337) up to May 2024, Kidsland International Holdings Limited (Stock Code: 2122) up to April 2024, Huarong International Financial Holdings Limited (Stock Code: 993) and CSI Properties Limited (Stock Code: 497) both up to March 2024, Vongroup Limited (Stock Code: 318), MOS House Group Limited (Stock Code: 1653) and Elife Holdings Limited (Stock Code: 223) up to February 2024 and Haitong Securities Company Limited (Stock Code: 6837; also listed on the Shanghai Stock Exchange Stock Code: 600837) up to October 2023, the shares of all of which are listed on the Stock Exchange. He was a non-executive director of Jade Road Investments Limited (Stock Code: JADE, listed on the London Securities Exchange) up to July 2024, an independent non-executive director of each of TMC Life Sciences Berhad (Stock Code: 0101, listed on the Bursa Malaysia) up to May 2023, Asia-Pacific Strategic Investments Limited (Stock Code: 5RA) up to October 2024, Thomson Medical Group Limited (Stock Code: A50) and Alset International Limited (Stock Code: 40V; re-designated from non-executive director on 2 July 2020), both up to November 2023, and Beverly JCG Ltd. (Stock Code: VFP) up to April 2023 (the shares of all of which are listed on the Singapore Exchange).

Mr. Cheung Kwong Tat

Mr. Cheung, aged 58, joined the Group in October 2025. He has been appointed as an independent non-executive Director, the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Cheung obtained a Bachelor of Social Sciences from The University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants since 1996, a fellow member of Association of Chartered Certified Accountants and a fellow member of Certified Public Accountants Australia since 2016. Mr. Cheung is currently the treasurer and management team member of Asia Carbon Institute, which is a non-profit organisation dedicated to fostering sustainable climate action throughout Asia and beyond, focusing on development and implementation of climate position initiatives and bespoke solutions that address Asia's unique environmental challenges and opportunities. Mr. Cheung was the founding regional managing partner of Western China of Deloitte China. He has solid experience and extensive network in both Hong Kong and China, particularly in the sector of Hong Kong initial public offering market. Mr. Cheung also served Deloitte China Governance Board for over six years and has experience in corporate governance and business development strategies. Other than his technical expertise, Mr. Cheung is very active in serving the community. He has served as the director of Rotarian Lodge of Hong Kong Charitable Foundation Limited since September 2022. Mr.Cheung is an independent non-executive director of Wonderful Sky Financial Group Holdings Limited (皓天財經集團控股有限公司) (stock code: 1260) since August 2024, Nanshan Aluminium International Holdings Limited (南山鋁業國際控股有限公司) (stock code: 2610) since March 2025 and Million Hope Industries Limited (美亨實業控股有限公司) (stock code: 1897) since September 2025, the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Cheung is also an independent nonexecutive director of Golden Leaf International Group Limited (金葉國際集團有限公司) (stock code: 8549) since October 2025, a company listed on the Growth Enterprise Market of the Stock Exchange.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Liu Yang

Mr. Liu Yang ("Mr. Liu") is a director and vice general manager of Baoying Renheng. He is principally responsible for overseeing the sales and marketing activities of Baoying Renheng. Mr. Liu has over 25 years of experience in sales and marketing. He was the vice general manager for sales of Zhuhai Gang Zhuhai Ming An Enterprise Co. Ltd. between July 1994 to June 2002, and subsequently acquired knowledge and experience in the tobacco machinery industry after joining Baoying Renheng in June 2004. He graduated with a bachelor's degree in marketing from Changchun University of Science and Technology in July 1993. Mr. Liu is the brother of Ms. Liu.

Mr. Chan Kit Yan

Mr. Chan Kit Yan ("Mr. Chan") joined the Group in 2022, who is the vice president of operation and financial controller of the Group, and he is responsible for overseeing corporate and financial matters of the Company. Mr. Chan is an executive director and legal representative of Baoying Renheng and concurrently supervising sales and marketing, technical, production, human resource, purchasing and administration departments in the Group. Mr. Chan has engaged in capital market and valued-streamed designs with over 10 years of experience in enterprises management and he has rich experiences in financial management, asset and credit management, mergers and acquisitions, risk management and valued-streamed designs. Mr. Chan has obtained his bachelor of business degree from University of Birmingham and a postgraduate diploma in integrated practical management from The University of Hong Kong, Mr. Chan is also an associate member of the Certified Public Accountants (Australia).

Mr. Tsang Chi Hon

Mr. Tsang Chi Hon ("Mr. Tsang"), aged 51, is the company secretary. Mr. Tsang was engaged as our company secretary since May 2022 and has been mainly responsible for the company secretarial and related matters. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants and has more than 15 years of experience in audit and accounting. Mr. Tsang joined Baker Tilly Hong Kong Business Services Limited as an auditor in October 1999 and left the company as a senior auditor in February 2004. In March 2004, Mr. Tsang joined Grant Thornton Hong Kong as a senior in the assurance division and was subsequently promoted to supervising senior in October 2004 responsible for supervising the field work staff and reviewing the working papers. He was further promoted to supervisor in October 2005 and was entrusted with a portfolio of the firm's clients and also assisted the audit manager in the review function. He held the same position when he left the firm in March 2007. From May 2007 to July 2008, Mr. Tsang joined Reyoung Pharmaceutical Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited, as a group financial controller mainly responsible for the finance and accounting functions of the group companies. From May 2009 to September 2009, Mr. Tsang was employed by Luxworld Limited as a financial reporting manager, responsible for financial reporting functions. From November 2009 to February 2014, Mr. Tsang served as chief financial officer in Zuoan Fashion Limited, a company previously listed on the New York Stock Exchange and was responsible for the finance and accounting functions of the group companies.

From November 2013 to July 2021, Mr. Tsang had served as an independent non-executive director of Xinhua News Media Holdings Limited (Stock code: 309). Mr. Tsang was appointed as an independent non-executive director of Chowchow Cloud International Holdings Limited (Stock code: Chow) listed on the New York Stock Exchange in September 2025. From January 2017 to August 2018, Mr. Tsang was a company secretary of Swee Seng Holdings Limited, since April 2021, Mr. Tsang was appointed as the Company secretary and financial controller of Micron (International) Group Holdings Limited.

Mr. Tsang graduated from The University of Hong Kong in December 2009 with a Bachelor of Accounting and was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in April 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture, sale and provision of maintenance, overhaul and modification services in respect of tobacco machinery products in the PRC. We have obtained the Tobacco Monopoly Production Enterprise Licence (煙草專賣生產企業許可證) issued by the State Tobacco Monopoly Administration of the PRC (中國國家煙草專賣局), under which we are permitted to manufacture, sell and provide maintenance, overhaul as well as modification services in respect of the aforesaid machinery products, and we are one of the thirty-five licenced manufacturers in the PRC. We generate our turnover primarily from projects related to two types of catalogued special-purpose tobacco machinery products, namely the casing and flavouring system and pneumatic feeding system.

FINANCIAL REVIEW

For the year ended 31 December 2025, the Group recorded a profit of HK$13,955,000 while it was a profit of HK$7,035,000 for the year ended 31 December 2024. The increase in the Group's net profit was attributable to: (1) an increase in gross profit, which was driven by variations in the project pricing for non-standard customised equipment arising from quotation strategies and bid types, resulting in higher gross profit margins for certain projects and products; and (2) considerable growth in total sales contributed by the pneumatic feeding system during the year, which share of the sales mix expanded to 17.1% for the Relevant Period (2024: 3.1%). In the current year, the Group experienced decreases of the business of the product of the construction contracts of casing and flavouring system, resulting in a year-on-year decrease in revenue of approximately 6.5% in comparison to the prior year.

Revenue from construction contracts of casing and flavouring systems continued to have outperformed other type of products and goods, contributing HK$86,375,000, accounting for 80.4% of the total revenue in the current year (2024: HK$108,722,000 or 94.6%).

Revenue from pneumatic feeding system has increased by approximately 423.8% from HK$3,509,000 for the year ended 31 December 2024 to HK$18,381,000 for the year ended 31 December 2025. The revenue of the pre-pressing packing machine amounted to HK$2,040,000 in the current year (2024: Nil). The sales of other goods decreased from HK$2,665,000 for the year ended 31 December 2024 to HK$626,000 for the year ended 31 December 2025.

The gross profit margin for the current year was 47.9% and has increased by 14.4% when comparing with the gross profit margin for the prior year which was 33.5%. The gross profit margin for the construction contracts of casing and flavouring systems has increased by 14.9% from 32.9% for the year ended 31 December 2024 to 47.8% for the year ended 31 December 2025. The gross profit of construction contracts of casing and flavouring systems is HK$41,320,000 for the current year and it was HK$35,728,000 for the prior year. The gross profit of pneumatic feeding system amounted to HK$9,148,000 for the year ended 31 December 2025 (2024: HK$1,971,000). The gross profit of the pre-pressing packing machine amounted to HK$396,000 for the year ended 31 December 2025 (2024: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2025, a reversal of inventory allowance amounting to HK$2,797,000 was recognised (2024: allowance of HK$1,088,000 recognised).

The average contract sum of construction contracts of casing and flavouring systems completed was HK$2,699,000 for the year ended 31 December 2025 while it was HK$4,727,000 for the year ended 31 December 2024. The revenue from the 3 largest construction contracts of casing and flavouring systems completed during the current year was HK$33,495,000. The design and complexity of the products varies by customers and therefore there is a wide range of contract prices.

Other income increased by HK$1,166,000 or 61.0% and amounted to HK$3,079,000 in aggregate for the year ended 31 December 2025 (2024: HK$1,913,000) due to the increment on the government grants. In the current year, the bank interest income is HK$1,118,000 (2024: HK$866,000) and government grants of HK$1,849,000 was received while HK$1,047,000 was received in the prior year.

The other gains and losses had increased by HK$576,000 or 71.6% to HK$1,380,000 for the year ended 31 December 2025 (2024: HK$804,000), mainly due to gain on fair value changes from financial asset at FVTPL amounting to HK$189,000 for the year ended 31 December 2025 (2024: nil). The sales of scrap materials, parts and components amounted to HK$1,267,000 for the year ended 31 December 2025 (2024: HK$1,221,000) resulting in an increase of HK$46,000 or 3.8% compared to the prior year. The net foreign exchange losses amounted to HK$160,000 for the year ended 31 December 2025 (2024: HK$417,000).

An impairment losses on Trade-related Receivables under expected credit loss model amounting to HK$594,000 had been recognised during the year ended 31 December 2025 (2024: HK$114,000).

The selling and distribution expenses increased by HK$3,791,000 from HK$6,452,000 for the year ended 31 December 2024 to HK$10,243,000 for the year ended 31 December 2025. The increase in selling expenses was mainly due to the growth in business promotion and advertising expenses and tender consultancy fees.

The administrative expenses increased by HK$1,683,000 or 8.5% from the prior year to the year ended 31 December 2025 amounting to HK21,422,000 (2024: HK$19,739,000) due to the increment of salary expense.

MANAGEMENT DISCUSSION AND ANALYSIS

The research and development expenses amounted to HK$6,696,000 for the year ended 31 December 2025 (2024: HK$4,605,000), and it had increased by HK$2,091,000 or 45.4%. The increase in the research and development expenses was primarily due to increased spending on the strengthening the products functions and efforts to establish new product lines in other industries.

The tax expense of HK$2,970,000 was recorded for the year ended 31 December 2025 and it was HK$3,299,000 for the year ended 31 December 2024. The tax expense had resulted from profit generation and provision of PRC withholding tax on undistributed profit from the PRC subsidiary.

The Directors do not recommend the payment of dividend for the year ended 31 December 2025 (2024: Nil).

BUSINESS REVIEW AND PROSPECT

The Group mainly deals with the customer named "Tobacco Monopoly Administration of the PRC", which is one of the world's largest tobacco manufacturer. China produces more than two million metric tons of tobacco each year. The majority of China's tobacco production serves its massive domestic market, so tobacco industry occupies an important position in China's economic development. In the annual fiscal revenue of the Chinese government, tax revenue from the tobacco industry has always maintained a relatively high share, contributing nearly one-tenth of the country's fiscal revenue in the recent year. The tobacco factories in China own the most automatic factory. It is believed that the tobacco machinery industry would maintain in a steady momentum in the coming years.

The tobacco machinery industry renders our company's technical developments especially the innovations on the machinery related technologies. Being one of the suppliers of Tobacco Monopoly Administration of the PRC and its subsidiaries provides a stable financial proposition to our Group.

The volatilities, uncertainties, complexities and ambiguities exited in the current economic environment. However, the tobacco machinery business provides a good condition and chances for our new developments on diversifying our revenue structure including different products on tobacco industry and the Group has the change to serve different industries which need to have technical supports of non-standardised automatic machinery service. Leveraging on the Group's competitive strengths in product customisation, development capabilities and our brand on machinery industry, our sales and technical personnel can obtain good and timely understanding of customers' requests in the tobacco machinery industry and other industries. The Group intends to capture the market opportunities for its specialised products and secure contracts more than one machinery industry and will try to dedicate to innovate the key technologies for the customised automatic machinery industry, hence hope to deliver greater value to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no change in the capital structure of the Group and fixed deposits, financial assets at fair value through profit or loss and cash and cash equivalents of the Group as at 31 December 2025 amounted to HK$96,273,000 (2024: HK$96,630,000), which was mainly denominated in RMB and HK$.

During the year ended 31 December 2025, there was no repayment to advance from a director (2024: Nil). The Group had no bank borrowings, mortgages or charges and its gearing ratio was nil at 31 December 2025 (2024: Nil).

As at 31 December 2025, the Group's net current assets was HK$123,732,000 (2024: HK$106,521,000). Current ratio and quick ratio of the Group were 1.8 (2024: 1.9) and 1.1 (2024: 1.4) in the current year, respectively.

SIGNIFICANT INVESTMENTS HELD

The Group's investing activities mainly include placement and withdrawal of fixed deposits, pledged bank deposits, financial assets at FVTPL and purchase of property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had a total of 138 employees (2024: 136). Total staff costs (including directors' emoluments) were approximately HK$20,954,000 for the year ended 31 December 2025 (2024: HK$19,798,000).

Remuneration in the form of salaries and bonus is determined by reference to our employees' respective experience, responsibilities, qualifications and competence displayed and our operation results. Our employees also receive reimbursements for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2025.

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

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

REPORT OF DIRECTORS

The board (the "Board") of the directors (the "Directors") of RENHENG Enterprise Holdings Limited (the "Company") present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2025.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and domiciled in Hong Kong. Its registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and principal place of business of the Company is Room 3805, 38/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in Note 30 to the consolidated financial statements.

Segment information about the business of the Group for the year ended 31 December 2025 is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, a discussion and analysis of the Group's performance during the year and discussion of the principal risks and uncertainties the Group facing and an indication of likely future developments in the Group's business are set out in the Management Discussion and Analysis set out on pages 8 to 11 of this annual report.

RESULTS

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 46 of this annual report.

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

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the five years ended 31 December 2025 is set out on page 100 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2025 are set out in Note 24 to the consolidated financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 49 of this report and in Note 31 to the consolidated financial statements respectively.

At the end of the reporting date, the Company has no reserve available for distribution (2024: Nil). Under the Company Law of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association, the Company is able to pay its debts as they fall due in the ordinary course of business.

BANK BORROWINGS

The Group did not have any bank borrowings during the year ended 31 December 2025.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, sales to the Group's five largest customers in aggregate accounted for approximately 75.7% (2024: 81.3%) of the total sales and sales to the largest customer accounted for approximately 32.5% (2024: 24.5%) of total sales. Purchases from the Group's five largest suppliers in aggregate accounted for approximately 46.6% (2024: 36.2%) of the total purchases and purchases from the largest supplier accounted for approximately 17.2% (2024: 11.3%) of total purchases.

None of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year.

REPORT OF DIRECTORS

DIRECTORS

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

Executive Directors

Ms. Liu Li *(Chairman and Chief Executive Officer)*
Ms. Lew Lai Kuen
Mr. Wen Yuan *(Resigned on 20 February 2026)*

Independent Non-executive Directors

Dr. Lam Lee G.
Mr. Lam Chi WIng
Mr. Wu Wei *(Resigned on 31 October 2025)*
Mr. Cheung Kwong Tat *(Appointed on 31 October 2025)*

In accordance with Article 16.18, at every annual general meeting of the Company one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Pursuant to the Listing Rules and Article 16.2, all directors appointed to fill a casual vacancy or as an addition to the Board should be subject to election by shareholders at the first general meeting after appointment. Mr. Cheung Kwong Tat has been appointed to fill a causal vacancy to the Board during the year.

Accordingly, Ms. Liu Li and Mr. Lam Chi Wing., being the longest-serving Directors, and Mr. Cheung Kwong Tat shall retire at the annual general meeting and being eligible, offer himself for re-election.

Biographical details in respect of the Directors and senior management of the Group are set out in pages 4 to 7 of this annual report.

CHANGE OF DIRECTORS

With effect from 31 October 2025, (1) Mr. Wu Wei has resigned as an independent non-executive Director; and (2) Mr. Cheung Kwong Tat has been appointed as an independent non-executive Director. Please refer to the announcement of the Company dated 31 October 2025 for more details. Mr. Cheung has obtained the legal advice stipulated under Rule 3.09D of the Listing Rules on 31 October 2025 and confirmed understanding of his obligations as a Director of the Company.

With effect from 20 February 2026, Mr. Wen Yuan has resigned as an executive Director. Please refer to the announcement of the Company dated 20 February 2026 for more details.

DIRECTORS' SERVICE CONTRACTS

All executive Directors have entered into service agreements with the Company for a period of three years and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

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

PERMITTED INDEMNITY PROVISION

During the year and up to the date of this report, pursuant to the Company's articles of association there was in force the permitted indemnity provisions which provided for in the Directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against them.

DIRECTORS' AND CHIEF EXECUTIVE' S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions

Ordinary shares of HK$0.0025 each of the Company

Name Director	Capacity/ Nature of Interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Director			
Ms. Liu Li[(1)]	Interest of controlled corporations	600,000,000	74.6%

Note:

1. Open Venture Global Limited ("Open Venture") and LinkBest Capital Group Limited ("LinkBest"), which is wholly owned by Ms. Liu Li, is interested in 240,000,000 shares and 360,000,000 shares of the Company, respectively.

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2025.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year 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 debentures of, the Company or any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or subsidiaries 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.

INDEPENDENT NON EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTION

The Directors are not aware of any connected transactions of the Group that shall be disclosed in this annual report under the relevant Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, according to the register of interests required to be kept by the Company under Section 336 of the SFO other than the interests disclosed above in respect of Directors and chief executive of the Company, the following parties had interests in shares of the Company, as notified to the Company and the Stock Exchange, as follows:

Long positions

Ordinary shares of HK$0.0025 each of the Company

Name of shareholders	Capacity/ Nature of Interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
LinkBest[1]	Beneficial owner	360,000,000	44.8%
Open Venture[1]	Beneficial owner	240,000,000	29.9%
Ms. Liu Li	Interest of controlled corporations	600,000,000	74.6%

Note:

1. LinkBest and Open Venture are wholly owned by Ms. Liu Li.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2025.

SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 20 October 2011. The Pre-IPO Share Option Scheme expired on 20 October 2021.

The Company adopted a share option scheme (the "Share Option Scheme") on 20 October 2011. The Share Option Scheme expired on 20 October 2021.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management. Having regard of the Group's operating results, individual performance and competence, our remuneration is comparable according to market practices.

Details of Directors' emoluments are set out in Note 10 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

COMPETING INTERESTS

None of the Directors nor their respective associates (as defined under the Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

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

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 27 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Detail information regarding the environmental, social and governance practices adopted by the Company is set out in the Environmental, Social and Governance Report on pages 28 to 40 of this annual report.

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 December 2025.

DATE OF THE AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 25 June 2026. The notice of the AGM, together with the AGM circular and the proxy form will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.renhengenterprise.com) and dispatched in due course in the manner as required by the Listing Rules and the applicable laws and regulations.

The register of members of the Company will be closed from 22 June 2026 to 25 June 2026, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no transfers of Shares will be registered. The record date will be 25 June 2026. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 18 June 2026.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any other significant events that have taken place subsequent to 31 December 2025 and up to the date of approval of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2025 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the annual general meeting to re-appoint Deloitte as auditor of the Company.

On behalf of the Board

Liu Li
Chairman and Chief Executive Officer

Hong Kong, 30 March 2026

CORPORATE GOVERNANCE REPORT

The Board considers that maintaining high standard of corporate governance and business ethics will serve the long interest of the Company and of its shareholders. The principles adopted by the Board emphasise a quality board, sound internal control, accountability to shareholders and thus an ethical corporate culture established.

CORPORATE GOVERNANCE

Pursuant to the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules which sets out the principles of good corporate governance and the code provisions (the "Code Provisions"), the Company has applied all the Code Provisions as set out in the CG Code during the year ended 31 December 2025, save and except the Code Provision C.2.1 regarding segregation of chairman and chief executive officer as explained below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has applied the principles of the required standard of securities transactions by our Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Company was confirmed that all Directors have complied with or they were not aware of any non-compliance with the required standard of dealings as set out in the Listing Rules during the year ended 31 December 2025.

BOARD OF DIRECTORS

Board composition

Up to the date of this annual report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Ms. Liu Li *(Chairman & Chief Executive Officer)*
Ms. Lew Lai Kuen
Mr. Wen Yuan *(Resigned on 20 February 2026)*

Independent Non-executive Directors

Dr. Lam Lee G.
Mr. Cheung Kwong Tat *(Appointed on 31 October 2025)*
Mr. Lam Chi Wing
Mr. Wu Wei *(Resigned on 31 October 2025)*

The biographical details of Directors are set out on pages 4 to 7 of this annual report.

The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

Neither Directors have relation to each other and business relation with the Group, nor the chairman and the chief executive officer.

CORPORATE GOVERNANCE REPORT

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2025 and up to the date of this annual report, there were five board meetings and one general meeting held.

The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Details of individual attendance of all Directors at the board and committee meetings together with general meeting are as follows:

Name of Directors/Meetings	General meeting	Board	Audit committee	Nomination committee	Remuneration committee
Executive Directors					
Ms. Liu Li	1/1	4/4	–	–	–
Ms. Lew Lai Kuen	1/1	4/4	–	–	–
Mr. Wen Yuan	1/1	4/4	–	–	–
Independent Non-executive Directors					
Dr. Lam Lee G.	1/1	4/4	3/3	2/2	2/2
Mr. Cheung Kwong Tat	0/1	1/4	1/3	1/2	1/2
Mr. Lam Chi Wing	1/1	4/4	3/3	2/2	2/2
Mr. Wu Wei	1/1	4/4	2/3	2/2	2/2

Information of material issues, due notice of meeting and minutes of each directors' meeting have been sent to each of the Directors for their information, comment and review.

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

No corporate governance committee has been established and the Board is also delegated with the corporate governance functions.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgement to the Board. Functions of independent non-executive Director include but should not be limited to the following:

i. participating in Board meetings to bring independent judgement;

ii. taking the lead where potential conflict of interests may arise;

iii. serving on the audit, nomination and remuneration committees if invited; and

iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Pursuant to Rule 3.10(1) and 3.10A of the Listing Rules, the Board has appointed three independent non-executive Directors, representing half of the Board and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 3.10(2) of the Listing Rules. Each of the independent non-executive Directors is appointed for a period of three years.

Further, pursuant to code provision B.2.3 of Appendix C1 to the Listing Rules, if an independent non-executive director serves more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders.

All independent non-executive Directors have confirmed their independence pursuant to Rule 3.13 of the Listing Rules by providing an annual confirmation of their independence. The Board has assessed their independence and considers that all independent non-executive Directors are independent as required under the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code Provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive of the Company are both performed by the same individual – Ms. Liu Li. Ms. Liu Li will ensure that all the Board members keep abreast of the conduct, business activities and development of the Group and adequate, complete and reliable information is provided to Directors on issues to be considered by the Board.

APPOINTMENT AND RE ELECTION OF DIRECTORS

Each of the executive Directors has entered a service agreement for a term of three years, and each of the independent non- executive Directors has been appointed for a term of three years.

In accordance with Article 16.18, at every annual general meeting of the Company one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Pursuant to the Listing Rules and Article 16.2, all directors appointed to fill a casual vacancy or as an addition to the Board should be subject to election by shareholders at the first general meeting after appointment. Mr. Cheung Kwong Tat has been appointed to fill a causal vacancy to the Board during the year.

Accordingly, Ms. Liu Li and Mr. Lam Chi Wing, being the longest-serving Directors, and Mr. Cheung Kwong Tat shall retire at the annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company.

During the year ended 31 December 2025, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Type of continuous professional development programmes *(Notes)*
Executive Directors	
Ms. Liu Li	2
Ms Lew Lai Kuen	2
Mr. Wen Yuan	2
Independent Non-executive Directors	
Dr. Lam Lee G.	1&2
Mr. Lam Chi Wing	1&2
Mr. Cheung Kwong Tat	1&2
Mr. Wu Wei	1&2

Notes:

1. Attending seminars/courses for development of professional skills and knowledge.
2. Reading materials in relation to regular update to statutory requirements, listing rules and other relevant topics related to listed company.

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Dr. Lam Lee G.. The rest of members are Mr. Lam Chi Wing and Mr. Cheung Kwong Tat. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports and interim reports, and to provide advice and comment thereon to the Board.

Up to the date of this annual report, the audit committee held five meetings to review the quarterly, interim and annual results during the year as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group.

Nomination committee

The nomination committee currently comprises three independent non-executive Directors and is chaired by Mr. Cheung Kwong Tat. The rest of the members are Dr. Lam Lee G. and Mr. Lam Chi Wing. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; to review the board diversity policy and make recommendation for revision to the Board; and to make recommendations to the Board succession planning.

Up to the date of this annual report, the nomination committee held two meetings to perform the aforesaid functions.

Remuneration committee

The remuneration committee currently comprises three independent non-executive Directors and is chaired by Mr. Lam Chi Wing. The rest of the members are Dr. Lam Lee G. and Mr. Cheung Kwong Tat. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

Up to the date of this annual report, the remuneration committee held two meetings and has considered and reviewed the remuneration package of the Directors and senior management of the Group.

BOARD INDEPENDENCE

The Board has established mechanisms to ensure independent views and input are available to the Board. 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. 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 and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules 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. 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. 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 or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

BOARD DIVERSITY POLICY

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In compliance with Rule 13.92 of the Listing Rules, a policy concerning diversity of the members of the Board were adopted by the Company and applied and reviewed by the Nomination Committee at least annually.

In assessing the composition of the Board, the Nomination Committee would take into account various measurable objectives as set out in the board diversity policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider measurable objectives including the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy at least annually and discuss any revisions and updates that may be required, and recommend the same to the Board for approval.

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 66.7% of Directors and approximately 66.7% of total workforce were male. The Company will continue to take steps to promote diversity, including gender diversity, at workforce levels.

AUDITOR'S REMUNERATION

The remuneration of the audit service provided by the auditor to the Group for the year ended 31 December 2025 was mutually agreed in view of the scope of services, amounting to HK$1,047,000 (2024: HK$1,066,000).

No non-audit service has been provided by the auditor for the years ended 31 December 2025 and 2024.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the consolidated financial statements of the Group for the year ended 31 December 2025, which give a true and fair view and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2025, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and have prepared the consolidated financial statements on a going concern basis. The auditor of the Company had made a statement about their reporting responsibilities in the independent Auditor's Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective risk management and internal control system to safeguard the Group's assets against unauthorised use or disposition, and to protect the interest of shareholders of Company. The Board has established effective risk management and internal control systems to provide reasonable but not absolute assurance against material misstatement or loss and to manage risks of failing to achieve business objectives The Board shall be responsible for the risk management and internal control systems and shall review at least annually the effectiveness of such systems for that relevant financial year. Audit committee assists the Board in monitoring the Group's all material controls, including financial, operational and compliance controls. During the year ended 31 December 2025, review of the effectiveness of the Group's risk management and internal control systems has been conducted and the result has been summarised and reported to the audit committee and the Board.

The Company identifies potential risks at all levels within the group companies. The Board of the Company then reviews the potential identified risks and evaluates the nature and impact of the potential identified risks, Afterward, the Board of the Company formulates the potential strategies addressing the potential identified risks. The Company also carried out annual internal control review to our business cycles, namely revenue, expenditure, human resources and payroll, inventory, fixed assets and treasury under a 3-years rotation plan. The Company also reviewed the financial organisation structure, accounting policies and financial reporting process. The main feature of the risk management processes and internal control systems to capture material risks that the Company will face in our risk management and internal controls, operational and financial aspects to resolve material internal control defects.

Regarding to the procedures and internal controls for the handling and dissemination of inside information, it is required to disclose inside information as soon as possible in accordance with the Securities and Futures Ordinance and the Listing Rules and ensure that appropriation of handling and dissemination of inside information.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary has the relevant experiences and comprehensive understanding of the Company's affairs, and shall be responsible to the Board. All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. The Company Secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The Company Secretary maintains formal minutes of the Board meetings and other Board committee meetings.

During the year ended 31 December 2025 the Company Secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 12 of the articles of association of the Company, extraordinary general meeting ("EGM") may be convened by the Board on written requisition of any one or more shareholders of the Company holding not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company or any one member of the Company which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company (the "Requisitionists"). Such written requisition must specify the objects of the EGM and must be signed by the Requisitionists and deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such principal office, the registered office of the Company. Shareholders should follow the requirements and procedures as set out in such article for convening an EGM.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the EGM to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong or by email to info@renhengenterprise.com and for the attention of the Company Secretary.

Procedures for putting forward proposals at shareholders' meetings

There is no provision for shareholders to propose resolutions at general meetings under the Cayman Islands Companies Law. However, shareholders can follow the above procedure and request to convene an EGM.

Pursuant to article 16 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a shareholder of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Accordingly shareholders who wish to propose a person for election as a director of the Company shall file a notice in writing to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary and should follow the requirements and procedures as set out in such article.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company strives to provide ready, fair, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain an on-going dialogue with Shareholders and in particular, through annual general meeting and other general meetings or other proper means. The Chairman, all other members of the Board including independent non-executive Directors and the chairmen of all Board committees will attend the forthcoming AGM to meet with the Shareholders and answer their enquiries.

In addition, the Company has developed a shareholder communication policy with the objective of maintaining effective and timely dissemination of the Company's information to its Shareholders and the market, including its financial performance, strategic goals and plans, material developments and governance, in order to enable Shareholders to exercise their rights in a timely and informed manner, and to allow Shareholders and the investment community to engage actively with the Company. During the year ended 31 December 2025, Board has maintained and regularly reviewed the policy in accordance with the Corporate Governance Code to ensure its effectiveness. Reference has also been made to the shareholders' communication policy of other listed issuers in Hong Kong to ensure the Company's shareholders' communication policy is on par with market standard.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2025 which give a true and fair view of the financial position of the Group.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with regular updates on the Company's performance, positions and prospects.

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.

The statement by the external auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report from pages 41 to 45 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as the general public. The Group cares about the impact of its daily operation on environment and society and strives to set a good example for the public. We make effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does our best to achieve a fine balance.

SCOPE

This environmental, social and governance report ("ESG Report") has been prepared in compliance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Group is principally engaged in the manufacture, sale and provision of maintenance, overhaul and modification services in respect of tobacco machinery products in the People's Republic of China (the "PRC") through its wholly owned subsidiary – Bao Ying Ren Heng Industrial Co. Limited ("Baoying Renheng"). This ESG Report covers environmental, social and governance matters of Baoying Renheng during the reporting period from 1 January 2025 to 31 December 2025 ("FY2025").

GOVERNANCE STRUCTURE

Our Board is responsible for devising strategies and targets in relation to ESG matters. In particular, our Board guides and supervises the development and implementation of the Group's environmental, social and governance works to ensure compliance with relevant legal and regulatory requirements.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We believe that the opinions of our stakeholders can contribute to the sustainable development of the Group. Therefore, we appropriately communicate with our stakeholders and promote the participation of stakeholders through different forms and channels of communication. The following are the main categories of stakeholders and communication channels:

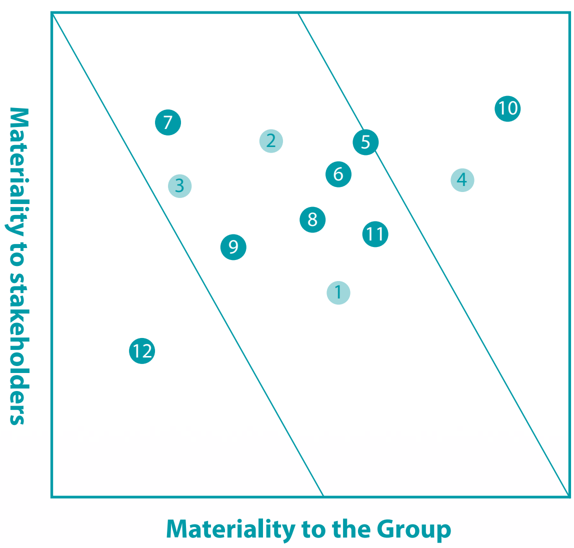
Stakeholder	Communication Channel
Shareholder	• Company website • Interim and annual reports • Announcements • General meetings
Employee	• Employees' activities • Staff communication • Regular meetings/training courses
Client	• Daily operation/communication • Regular meetings and visits

Supplier	• Procurement process • Daily operation/communication • Regular review and evaluation
Government and regulatory authorities	• Regular performance reports • Letter and phone contact • Occasional face-to-face meetings and visits

The Group determines the scope of its environmental, social and governance disclosures in accordance with the requirements of the ESG Guide. The management identified and assessed major issues after considering the Group's business operations and the standards adopted by the industry. The impact of these material issues is assessed on the basis of their importance to the sustainable development of the Group and its stakeholders. The relevant assessment is related to the current development stage of the Group or may change in the future.

Based on the environmental and social areas set out in the Environmental, Social and Governance Reporting Guide, the information collected from stakeholders, and the evaluation of materiality to business, the Group has developed the following materiality matrix to show areas of high materiality to stakeholders and the Group.

Materiality Analysis



Environmental	
1.	Emissions
2.	Use of Resources
3.	The Environment and Natural Resources
4.	Tackling Climate Change
Social	
5.	Employment and Labour Practices
6.	Health and Safety
7.	Development and Training
8.	Labour Standards
9.	Supply Chain Management
10.	Product Responsibility
11.	Anti-corruption
12.	Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us at info@renhengenterprise.com such that we can keep stepping up our environmental, social and governance undertakings.

A. ENVIRONMENT

Owing to the industry nature, it is unavoidable for Baoying Renheng to produce industrial wastes during the operation. The Group is committed to protect the environment and maintain the sustainability in long-term. We have established procedures to ensure our operation and business are in compliance with the applicable safety and environmental regulations.

A1. Emissions

The Group strictly abides by the national system of environmental protection regulations covering the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and the Integrated Emission Standard of Air Pollutants and other applicable legal norms for air emission and waste management. During the Reporting Period, the Group did not violate any applicable laws or regulations related to emissions, disposal of hazardous waste and non-hazardous waste and other environmental pollution matters.

By establishing a systematic management and control mechanism, the Group continues enhancing its environmental management system, with emphasis on improving energy efficiency and resource recycling and minimizing the impact of production and operation on the ecological environment, to effectively transform the concept of green development into quantifiable and traceable operational practices.

The air emissions of the Group are mainly the exhaust emissions from the Group's self-owned vehicles, which primarily include Nitrogen oxides (NOx), Sulfur oxides (SOx) and particulate matter (PM). To ensure systematic management, the Group has established a Vehicle Management Policy and implemented a whole-life vehicle management approach encompassing rigorous inspection and maintenance, fuel consumption monitoring, and usage registration. By optimising route planning and introducing a centralised boarding system, the Group reduces empty running rates. Drivers receive regular training on fuel-efficient driving and vehicle maintenance, and vehicles are stored during holiday periods, enabling refined management of transportation operations.

These emissions arise solely from the Group's vehicle fleet, which constitutes a very small portion of its overall operations. Given the limited scale and materiality of these emissions, setting quantitative reduction targets is not currently considered necessary. The Group will continue to monitor the relevance of this aspect and review the need for targets should its materiality increase in future.

Type of Air Emissions	FY2025 Emission (kg)
Nitrogen Oxides (NOx)	372.33
Sulfur Oxides (SOx)	7.04
Particulate Matter (PM)	56.16

We have installed filtering tanks in the production plant to eliminate the effect from unfavourable element in the wastewater collected by the domestic sewage. Annual review on wastewater discharged by the production plant is also performed by the environmental authority in the PRC.

During the reporting period, no hazardous waste was generated in the production. 19,405 tonnes of non-hazardous waste was recycled, while the rest was discharged to a site designated by the municipal government agency. A total amount of RMB10,000 was paid for the solid waste treatment during the year ended 31 December 2025 (FY2024: RMB10,000).

A2. Use of Resources

The Group implements energy conservation measures in strict compliance with the Energy Conservation Law of the People's Republic of China and other applicable regulations. Regular production energy conservation meetings are held to identify issues, propose improvements, and implement corrective actions. In lighting management, fluorescent lamps are being replaced with energy-saving bulbs, with regional control implemented in plants and offices. Lighting schedules are adjusted seasonally and based on occupancy, and staff patrols ensure lights are switched off at night, reducing unnecessary consumption. For air conditioning, the Group regulates system operation, conducts annual maintenance, and decommissions units seasonally. Temperature standards are set at 27° C in summer and 25° C in winter to shorten operating hours, and fans are encouraged in office areas to reduce reliance on air conditioning. Office facilities are used efficiently, with computers and equipment switched off after work to avoid standby power consumption. Freight elevator lighting power has also been reduced. Through these measures, the Group is committed to improving energy efficiency and advancing its sustainability goals.

During the reporting period, Baoying Renheng consumed approximately 27,352 tonnes of water as compared to 23,557 tonnes of water consumption in FY2024. The Group always regards the conservation of water resources as an important environmental responsibility in the course of developing its business. The Group has enhanced the efficiency of water consumption by such measures as strengthening the daily maintenance and management of its water using equipment, checking for "water dripping, leaking, bubbling", and promptly identifying and correcting any failures found by regular inspection, ensuring normal operation of equipment, and eliminating water waste at source. For water conservation management, the Group posts water-saving slogans to encourage employees to consciously develop water-saving habits and strengthen water-saving awareness, especially, turning off taps and avoiding water dripping; and promotes the installation and use of water-saving equipment, to further increase water-use efficiency. In 2025, the Group did not have any issue in sourcing water that is fit for purpose.

The Group strives to minimise environmental impact and save material costs by continuously reviewing product packaging design with the aim of reducing packaging size. However, as the Group's products are mainly machinery items which are fragile, they must be protected by wooden boxes during transportation. During the reporting period, approximately 85,769 kg of wooden boards were consumed for product packaging, a noticeable increase compared to 50,376 kg in FY2024, due to a higher frequency of product dispatches.

The Group's use of packaging materials (primarily wooden boards) is directly tied to the volume and size of machinery products dispatched, which varies significantly year-on-year. As the nature of the business requires robust packaging to protect products during transportation, the impact of packaging reduction initiatives on overall environmental performance remains limited. The Group will continue to assess materiality and consider formal targets if circumstances change.

Type of Resources	FY2025 Consumption	FY2025 Intensity (unit per production square metre)
Energy		
Converted Direct Energy (kWh)	1,753,739	75.52
– Petrol (liter)	13,157	
– Diesel (liter)	162,843	
Indirect energy: purchased electricity (kWh)	309,125	13.31
Water (tonnes)	27,352	1.18
Packaging Materials (tonnes)	85,769	3.69

A3. The Environment and Natural Resources

The manufacturing facilities in Baoying Renheng are required to undergo stringent environment audit and continuous monitoring. During the reporting period, we have not been subjected to any claims in the form of any compensation or penalty levied for environmental disruption by the Group for business. In the future, the Group will spend more effort to allocate more resources to promote a wide range of environmental protection action plans.

Part D. Climate-related Disclosures

Governance

The Board of Directors, through the Audit Committee, oversees climate-related risks and opportunities, and meets at least twice a year to oversee climate-related strategies, polices, actions and disclosures. The management supports climate action planning and internal policy setting, as well as coordinating responses to climate-related risks. We encourage employees to participate in green workshop to enhance their environmental awareness, and continuously promote the importance of mitigate the potential climate change risks.

Strategy

The Group has identified two main types of climate risk: physical risk (extreme weather events that could damage production facilities or disrupt the supply chain) and transition risk (the "dual carbon" policy may lead to increased compliance costs). At the same time, it has identified resource efficiency opportunities and product market opportunities. Scenario analysis indicates that the Group has some resilience to transition risks (technological capabilities, stable customers), but is relatively vulnerable to physical risks (geographic concentration of assets, lack of diversification).

Type	Risk/Opportunity Description	FY2025 Financial Impact	Expected Financial Impact
Physical Risk (Acute)	Extreme weather events (e.g., floods, typhoons) may damage production facilities, disrupt supply chains, or halt operations.	No material impact. No asset loss or operational interruption due to extreme weather events occurred during the period.	If extreme weather events increase in frequency and intensity, this may result in:
Transition Risk (Policy and legal)	China's "dual carbon" goals may lead to stricter energy efficiency standards or emission limits, increasing compliance costs.	No material impact. Current policies have not significantly increased operating costs.	If energy efficiency standards are tightened, this may result in: – Increased capital expenditure (equipment upgrades) – Increased administrative expenses (environmental taxes and fees)
Resource Efficiency Opportunity	Optimising production processes and introducing digital systems can reduce energy consumption, material waste, and operating costs.	Positive impact already realised. During the period, due to "optimised technical processes", cost of sales decreased and gross profit margin increased from 34.1% to 45.5%.	Continued technological innovation and digitalisation are expected to save 1%–2% of total operating costs annually over the next three years.
Product Market Opportunity	Growing market demand for energy-efficient and environmentally friendly mechanical equipment. The Group has technical strengths in customised automation.	No new revenue directly generated, but sales of the Pneumatic Silk Conveying System increased by 112.9% year-on-year, indicating market demand for new equipment.	Capturing demand for energy-efficient and environmentally friendly products, it is expected that the proportion of revenue from related new products will increase from <5% to 10%–15% over the next three years.

Risk Management

The Group incorporates climate risk into its overall risk management system. Risks are identified through continuous monitoring of policy developments and extreme weather events, with preliminary financial assessments conducted for potential material impacts. Management measures include: addressing policy changes through technological innovation, maintaining higher inventory levels to mitigate supply chain uncertainty, and deploying digital systems to enhance resource efficiency.

Metrics and Targets

There were 712.16 and 388.14 tonnes of carbon dioxide equivalent (CO_2e) greenhouse gases emitted from the operation of Baoying Renheng in FY2025 and FY2024, respectively, which mainly resulted from the transportation of tobacco machinery products to different provinces in the PRC and the electricity supply for production. The increase in emission of CO_2e is directly related to the further distance of transportation to the customers' factories. Significant increase in direct emission caused by the mobile combustion (including both petrol and diesel) as the machinery products were shipped to provinces further away from our production plant. In addition, more products in greater scale and size are shipped to the customers' factories by trucks and more packaging materials were used during the shipping. The annual emission intensity was 0.03 tonnes (FY2024: 0.02 tonnes) of CO_2e per square metre, with our production plant of a total floor area coverage of 23,223 square metres.

		FY2025		FY2024	
Scope of Greenhouse Gas Emission	Emission Sources	Emission (In tonnes of CO_2e)	Total Emission	Emission (In tonnes of CO_2e)	Total Emission
Scope 1					
Direct emission	Mobile combustion sources	**476.13**	**66.9%**	156.07	40.2%
Scope 2					
Indirect emission	Purchased electricity	**184.29**	**25.9%**	182.43	47.0%
Scope 3					
Other indirect emission	Raw materials for packaging of products	**43.54**	**6.1%**	45.06	11.6%
	Water	**8.21**	**1.1%**	4.58	1.2%
Total		**712.16**	**100%**	388.14	100%

The Group has identified climate-related risks and opportunities, and currently monitors emissions data. However, given the scale of operations and the fact that the majority of emissions arise from variable factors such as transportation distance and electricity usage, the Group has not yet established quantitative climate targets. The Group will continue to assess the materiality of climate-related matters and may develop targets in future reporting cycles as appropriate.

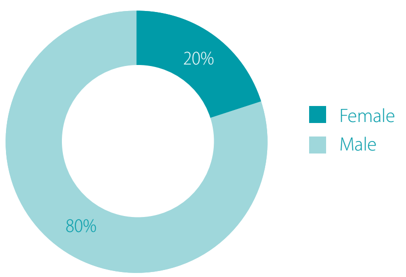
B. SOCIAL

B1. Employment and Labour Practices

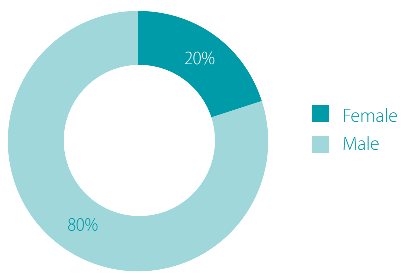
The Group recognises that safeguarding employee rights and fostering an inclusive, equitable working environment are fundamental to both its long-term success and the personal growth of its workforce. Accordingly, in recruitment and employment, the Group consistently complies with all applicable laws in its jurisdictions, including the Labour Law of the People's Republic of China, the Labour Contract Law, and the Regulations on Labour Protection for Female Employees. The Group has developed the Employee Handbook to align with current legislation, ensuring that employees understand company policies on attendance, rewards, and their entitlements. Dedicated human resources personnel oversee the implementation of employment policies, address grievances, and uphold a fair reporting mechanism. The Group firmly opposes all forms of discrimination and is committed to equality, integrity, and diversity. It strictly prohibits child labour, embeds labour protections in contracts and policies, and promotes career development through structured training, performance assessment, and equitable remuneration. During the reporting period, the Group did not discover any violations against employment regulations.

In FY2025 and FY2024, the total workforce by gender, employment category and age group are as shown.

Average number of employees (By Gender)

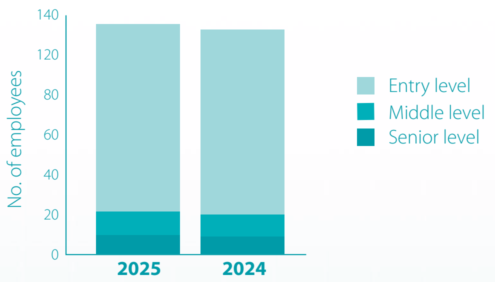


2025 Number of staff 138

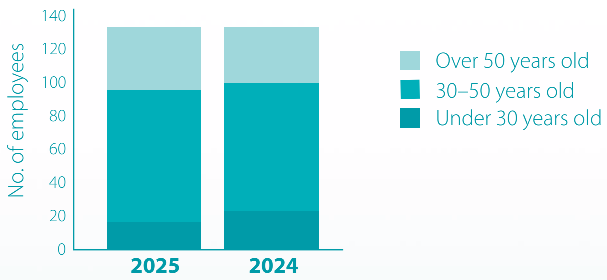


2024 Number of staffs 136

Average number of employees (By Employment Category)



Average number of employees (By Age Group)



Performance Management

The Group is committed to a systematic, fair and transparent performance management system that fosters positive interaction between employee value and corporate development through multi-dimensional assessment. A combination of monthly tracking, semi-annual review and annual evaluation forms a full-cycle management loop. At the start of each cycle, employees work with their line managers to set quantifiable performance targets via two-way communication. Managers provide regular coaching and real-time feedback to help employees overcome challenges and achieve career development. A graded scoring system links assessment results to key HR decisions, including remuneration, promotion, training and incentives. To ensure credibility, hierarchical appeal channels are available; any doubts about evaluation outcomes may be raised with line managers, department heads, or the Human Resources Department. All appeals are resolved within a defined timeframe, reinforcing performance management while enhancing organisational cohesion.

Remuneration and Welfare

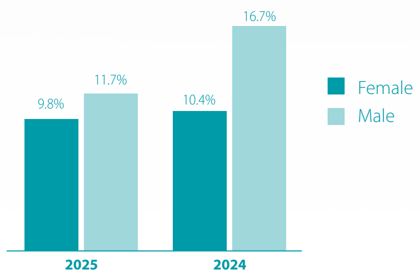
The Group complies with the Social Insurance Law of the People's Republic of China, the Regulations on the Management of Housing Provident Fund and other applicable laws in building an employee rights protection system. A differentiated remuneration structure, based on job value and contribution, covers base salary, performance bonuses, equity incentives, subsidies and year-end rewards, ensuring competitive industry standing and supporting talent attraction, retention and value co-creation. Statutory social insurance and housing fund contributions are strictly fulfilled, supplemented by additional benefits such as private medical insurance, paid leave and long-service recognition. The Group also provides living subsidies for accommodation, commuting, catering and high-temperature conditions, along with talent rental apartments and flexible working arrangements. Career development support includes assistance with professional title applications, household registration and government subsidies. Cultural activities such as health checks, holiday care and team building further enhance organisational cohesion.

Working Hours and Leave

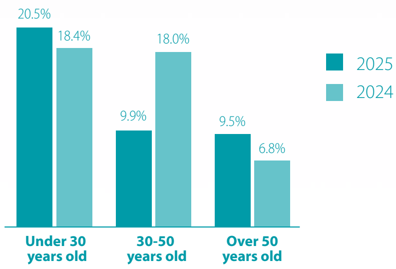
The Group operates a standard working hour system in accordance with the Labour Law of the People's Republic of China, with a five-day, eight-hour per day schedule ensuring that average weekly working hours do not exceed 40. Overtime is managed through a formal approval process set out in the Employee Handbook, requiring prior written application to minimise unnecessary overtime. Approved overtime may be taken as compensatory leave, supporting work-life balance. The Group fully implements statutory holidays, marriage, maternity, paternity, breastfeeding and bereavement leave, and offers enhanced internal provisions such as paid annual, sick and personal leave. This dual structure fulfils corporate social responsibility while promoting employee well-being. Department heads regularly review task allocation to ensure work goals can be achieved within normal hours, systematically reducing overtime risk and supporting both legal compliance and sustainable organisational development.

In FY2025 and FY2024, the employee turnover rate is 10.53% and 9.09%, respectively. The employee turnover rate by gender and age group are as shown.

Overall employee turnover rate (By Gender)



Overall employee turnover rate (By Age Group)



B2. Health and Safety

The Group regards employee health and safety as the foundation of corporate development and has established a systematic occupational health and safety management framework in accordance with the Production Safety Law of the People's Republic of China, the Law on Prevention and Control of Occupational Diseases, the Technical Specifications for Occupational Health Surveillance, the Fire Protection Law and other applicable regulations. The Employee Handbook and Production and Operation Guide define workplace safety conduct and establish a multi-dimensional protection system covering job risk identification, emergency response and standard operating procedures to mitigate potential risks at source. A differentiated training mechanism based on job characteristics – including three-level safety education, hazardous chemicals handling, microbial and animal-derived safety protection – is implemented, supported by regular refresher training. From 2023 to 2025, no work-related fatalities occurred. Employee wellbeing is supported through annual health checks, occupational medical records and screening for high-risk roles. During the reporting period, zero working days were lost to work-related injuries. The Group will continue to enhance safety education and preventive management to reinforce sustainable development.

Number and Rate of Work-related Fatalities	**FY2025**	FY2024	**Unit**
Number of work-related fatalities	**–**	–	People
Fatality rate per 100 employees	**–**	–	–

Lost Days Due to Work Injury	**FY2025**	FY2024	**Unit**
Number of lost days	**–**	–	Days
Number of reported accidents (sick leave > 3 days)	**–**	–	Accident
Injury rate per 100 employees	**–**	–	–

B3. Development and Training

The Group recognises talent as a core driver of sustainable development and regards employee development as a key responsibility. A comprehensive training system supports continuous professional growth, helping employees achieve career goals while contributing to the long-term success of the Company. An annual training plan covers induction, job-specific skills, general competencies, management, quality regulations, and legal and compliance training. Internal and external resources are integrated to deliver training, and effectiveness is evaluated through questionnaires, interviews, tests and seminars. We provide on-the-job trainings which include product design, technical training on domestic and foreign tobacco machinery production as well as subsidise in attending external training sessions. Regular internal seminars provide opportunities for knowledge sharing among employees. A workplace mentorship system supports new employees with personalised career development plans and ongoing guidance. A learning platform is also available, allowing employees to access training resources flexibly according to their needs.

	Average training hours/person		Percentage of employees trained	
Employee Training	**FY2025**	FY2024	**FY2025**	FY2024
By Gender				
Female	**1.00**	0.50	**8.3%**	14.8%
Male	**3.33**	7.78	**19.3%**	15.2%
By Employment Category				
Senior level	**4.3**	12.0	**27.3%**	10.0%
Middle level	**1.4**	0.8	**38.5%**	16.7%
Entry level	**3.5**	6.6	**13.8%**	15.5%

B4. Labour Standards

The Group has consistently adhered to the principle of lawful and compliant employment and strictly opposes any form of child labour or forced labour, in full compliance with applicable national laws and regulations, including the Law on the Protection of Minors and the Regulations on the Prohibition of the Use of Child Labour. The Group is committed to providing every employee with a legal, fair and just working environment. During the recruitment process, the Human Resources Department strictly verifies the identity documents and age certificates provided by each employee to ensure their authenticity and legitimacy. To further strengthen employment compliance, the Group also conducts background checks through third-party institutions to verify employees' legal working age and other relevant information, thereby ensuring the compliance and legality of the recruitment process. The Group maintains zero tolerance for any violation of employment regulations. Relevant personnel must immediately report any suspicious circumstances to management and the Human Resources Department, enabling prompt action to be taken and those responsible to be dealt with in accordance with the law. In 2025, the Group recorded no incidents involving child labour or forced labour.

B5. Supply Chain Management

We procure based on the project implementation plan taking into account the raw materials, parts and components in stock. We enter into procurement arrangements with our suppliers to secure the necessary raw materials, parts and components required for individual project after we have entered into sales contracts with our customers with the production schedules. We maintain a list of approved suppliers and procure raw materials, parts and components from such suppliers. In the selection of our approved suppliers, we take into account different factors, including but not limited to, the pricing and quality of the raw materials, parts and components, stability of supply and delivery, the credit period offered by the suppliers as well as their reputation. We generally review the list of approved suppliers on an annual basis.

The Group maintains a stable and long-standing supplier base with established procurement practices. Given the low-risk nature of the supply chain and the absence of significant environmental or social impacts from supplier operations, the Group currently does not track the number of suppliers subject to specific engagement practices. The materiality of this aspect will be reviewed periodically.

Region	Provinces/Areas Included	Number of Suppliers
Eastern Region	Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan	807
Central Region	Shanxi, Anhui, Jiangxi, Henan, Hubei, Hunan	48
Western Region	Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang	45
Northeastern Region	Liaoning, Jilin, Heilongjiang	11
Others		35
Total	–	946

B6. Product Responsibility

Our product quality management is in compliance with the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), the Product Quality Law of the PRC (中華人民共和國產品質量法), the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), the Administrative Measures on Supervision and Inspection of Product Quality in Tobacco Industry (煙草行業產品質量監督檢驗網管理辦法) and other related laws and regulations. The Group has established clear quality inspection procedures, including the Inspection Specification for the Manufacturing Process of Tobacco Machinery Products, the Inspection Specification for Incoming Processes of Tobacco Machinery Products, and the Inspection Specification for the Manufacturing Process of Water Treatment Equipment Products, to ensure comprehensive quality control throughout the production process. In addition, a product recall procedure has been put in place to enable prompt and effective response in the event of any non-conformity. During the reporting period, none of the sold or shipped products was subjected to recalls for safety and health reasons and no complaint on products has been received. We keep close communication with the customers and provide to them high quality products that are tailored to their needs.

Customer Privacy Protection and Intellectual Property Management

We recognises that customers' privacy is an important issue and are dedicated to respecting the customers' privacy safeguarding by keeping the sensitive data separately which is only assessable by authorised personnel.

A sophisticated approach to intellectual property management supports the Group's independent R&D and innovation capabilities. As a tobacco machinery manufacturer, the Group places strong emphasis on IP strategy to ensure effective protection and utilisation of its technologies. The Group holds registered patents, copyrights and ISO certifications as part of its commitment to quality and innovation.

The Group strictly complies with the Patent Law, Copyright Law and other applicable regulations, and maintains an Intellectual Property Management Manual. A dedicated IP department oversees planning, application, maintenance, operation and risk identification, supporting patent portfolio development and market competitiveness. The Group also uses licensed software and, where the use of specialised technologies is required, enters into cooperation agreements with relevant suppliers to ensure compliance and technical reliability.

B7. Anti-corruption

The Group attaches great importance to corporate governance and anti-corruption. We require our employees to strictly follow the standards of business ethics and refuse to accept bribery. Preventive measures and reporting procedures, along with the relevant implementation and monitoring methods, are set out in the Employee Work Discipline Management System. Anti-corruption clauses are included in employee contracts. A dedicated anti-corruption reporting hotline is in place. The staffs are encouraged to report to the senior management for any suspected or known fraud and during the reporting period, there was no corruption litigation case involving the Group and the employees.

The Group has a robust anti-corruption policy and reporting mechanism in place. While training is provided as part of the Group's regular compliance programme, the Group considers the risk of corruption to be minimal given its business model and stable workforce. Formal quantitative tracking of training coverage will be considered if the materiality of this aspect increases.

B8. Community Investment

We treasure the importance of support from the social community on its business and its social responsibilities towards the community.

In 2025, the Group actively participated in the "5•19 Charity Donation Day" initiative organised by the Baoying County Party Committee and the County Government, contributing RMB12,000 to support local charitable efforts. The funds raised through this initiative are designated to assist vulnerable groups across the county, including individuals in financial difficulty, elderly residents without family support, patients with major illnesses (among whom over 1,200 are suffering from uraemia or leukaemia), persons with disabilities, orphans, children in distress, and students from disadvantaged backgrounds. The donations are strictly utilised in accordance with relevant charitable regulations, focusing on medical assistance for patients with serious illnesses, improving the living conditions of the underprivileged, and providing educational support to help children and students in need. Through these efforts, the Group contributes to enhancing the quality of life for disadvantaged families and extending social care to the wider community.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF RENHENG ENTERPRISE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of RENHENG Enterprise Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 99, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of 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 MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on Trade Receivables and Retention Money Receivables ("Trade-related Receivables")	
We identified impairment assessment on Trade-related Receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of Trade-related Receivables at the end of the reporting period. At 31 December 2025, the carrying amounts of Trade-related Receivables, net of allowance for credit losses are HK$39,996,000, which represented approximately 13.42% of total assets of the Group. As disclosed in Note 4 to the consolidated financial statements, the Group estimates the amount of lifetime ECL of Trade-related Receivables based on internal credit ratings of trade debtors by considering the aging, repayment history and/or past due status of respective Trade-related Receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information, which based on economic variables such as growth rate of gross domestic product and unemployment rate, economic scenarios and weightings. The assessment of ECL involves a high degree of uncertainties and details of the assessment and assumptions are disclosed in Note 28(b). Impairment loss amounting to HK$594,000 was recognised for Trade-related Receivables for the year ended 31 December 2025.	Our procedures in relation to impairment assessment on Trade-related Receivables included: • Obtaining an understanding of management's basis and judgement in identifying and analysing the recoverability of Trade-related Receivables, and checking with our knowledge of customer credit risk characteristics; • Testing the accuracy of information used by management to develop the assessment, including Trade-related Receivables ageing analysis as at 31 December 2025, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting document; and • Testing the arithmetic accuracy of management's calculation of historical default rates, and assessing whether the historical default rates are appropriately adjusted based on forward-looking information, which are growth rate of gross domestic product and unemployment rate, economic scenarios and weightings.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is YIP, Tin Hang, Michael (practising certificate number: P07906).

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	NOTES	2025 HK$'000	2024 HK$'000
Revenue	5	**107,422**	114,896
Cost of sales		**(56,001)**	(76,369)
Gross profit		**51,421**	38,527
Other income	6	**3,079**	1,913
Impairment losses under expected credit loss model, net of reversal	7	**(594)**	(114)
Other gains and losses, net	8	**1,380**	804
Selling and distribution expenses		**(10,243)**	(6,452)
Administrative expenses		**(21,422)**	(19,739)
Research and development expenses		**(6,696)**	(4,605)
Profit before taxation	9	**16,925**	10,334
Taxation	11	**(2,970)**	(3,299)
Profit for the year		**13,955**	7,035
Other comprehensive income(expense) for the year:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation from functional currency to presentation currency		**2,856**	(2,410)
Total comprehensive income for the year		**16,811**	4,625
		HK cents	*HK cents*
Earnings per share			
– Basic	13	**1.74**	0.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	NOTES	2025 HK$'000	2024 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**17,788**	18,697
Right-of-use assets	*15a*	**4,702**	4,620
		22,490	23,317
Current assets			
Inventories	*16*	**105,373**	56,296
Trade and other receivables	*17*	**46,611**	49,380
Financial assets at fair value through profit or loss ("FVTPL")	*18*	**–**	21,598
Pledged bank deposits	*19*	**27,267**	19,848
Fixed deposits	*19*	**17,322**	15,500
Cash and cash equivalents	*19*	**78,951**	59,532
		275,524	222,154
Current liabilities			
Trade and other payables	*20*	**35,313**	29,300
Warranty provision	*21*	**4,800**	5,206
Tax payable		**11,249**	9,280
Lease liabilities	*15b*	**205**	–
Contract liabilities	*22*	**100,225**	71,847
		151,792	115,633
Net current assets		**123,732**	106,521
Total assets less current liabilities		**146,222**	129,838
Non-current liability			
Deferred tax liabilities	*23*	**1,400**	1,827
		1,400	1,827
Net assets		**144,822**	128,011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	NOTE	**2025**	2024
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*24*	**2,010**	2,010
Share premium and reserves		**142,812**	126,001
Total equity		**144,822**	128,011

The consolidated financial statements on pages 46 to 99 were approved and authorised for issue by the Board of Directors on 30 March 2026 and are signed on its behalf by:

Liu Li
Director

Lew Lai Kuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital HK$'000	Share premium HK$'000 (Note e)	Merger reserve HK$'000 (Note a)	Discretionary surplus HK$'000 (Note b)	Statutory surplus reserve HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	Property revaluation reserve HK$'000	Translation reserve HK$'000	Special reserve HK$'000 (Note d)	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 January 2023	2,010	41,818	49,091	3,338	27,529	999	2,775	(2,542)	970	(2,602)	123,386
Profit for the year	–	–	–	–	–	–	–	–	–	7,035	7,035
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	–	–	–	–	(2,410)	–	–	(2,410)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(2,410)	–	7,035	4,625
Transfer	–	–	–	–	1,264	–	–	–	1,406	(2,670)	–
At 31 December 2024	2,010	41,818	49,091	3,338	28,793	999	2,775	(4,952)	2,376	1,763	128,011
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,955**	**13,955**
Exchange difference arising on translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,856**	**–**	**–**	**2,856**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,856**	**–**	**13,955**	**16,811**
Transfer	**–**	**–**	**–**	**–**	**2,161**	**–**	**–**	**–**	**951**	**(3,112)**	**–**
At 31 December 2025	**2,010**	**41,818**	**49,091**	**3,338**	**30,954**	**999**	**2,775**	**(2,096)**	**3,327**	**12,606**	**144,822**

Notes:

a. The merger reserve represents the aggregate amount of paid-in capital of Bao Ying Ren Heng Industrial Co. Limited 寶應仁恒實業有限公司 ("Baoying Renheng") and share capital of RENHENG Global Limited ("RENHENG Global"), subsidiaries of RENHENG Enterprise Holdings Limited the "Company") acquired pursuant to group reorganisation in prior years.

b. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), Baoying Renheng is required to maintain two reserves, being a statutory surplus reserve and a discretionary surplus reserve which are non-distributable. Appropriations to statutory surplus reserves are made at 10% of its profit after taxation of Baoying Renheng based on the relevant accounting principles and financial regulations applicable to the PRC enterprises, the appropriation amount and allocation basis for discretionary surplus reserve are decided by its shareholders' meeting annually. Pursuant to the relevant laws and regulations in the PRC, appropriation to the statutory surplus reserve is required until the balance reaches 50% of the registered capital. The statutory surplus reserve and the discretionary surplus reserve can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

c. The capital reserve represented waiver of an amount due to a former shareholder of a subsidiary of the Company in prior years.

d. Baoying Renheng is required to make appropriations based on its revenue in accordance with CaiZi [2022] No.136 "Measures for the provision and utilisation of the safety production fund" that is issued by the Ministry of Finance and the Ministry of Emergency Management of the PRC. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

e. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK$'000	2024 HK$'000
Operating activities		
Profit before taxation	**16,925**	10,334
Adjustments for:		
Depreciation of property, plant and equipment	**1,552**	2,084
Depreciation of right-of-use assets	**364**	298
Gain on fair value changes from financial assets at FVTPL	**(189)**	–
Finance costs of lease liabilities	**138**	52
(Reversal of write-down) write-down of inventories, net	**(2,797)**	1,088
Impairment loss on trade receivables and retention money receivables ("Trade-related Receivables"), net of reversal	**594**	114
Interest income	**(1,118)**	(866)
Operating cash flows before movements in working capital	**15,469**	13,104
(Increase) decrease in inventories	**(44,183)**	13,833
Decrease (increase) in trade and other receivables	**3,365**	(11,710)
Increase (decrease) in trade and other payables	**4,669**	(6,715)
Increase in contract liabilities	**26,187**	15,477
Cash from operations	**5,507**	23,989
PRC Enterprise Income Tax ("EIT") refunded	**264**	–
Income taxes paid	**(1,993)**	(4,011)
Net cash from operating activities	**3,778**	19,978
Investing activities		
Release of pledged bank deposits	**36,406**	14,639
Release of fixed deposits	**26,000**	–
Release of financial assets at FVTPL	**96,252**	–
Interest received	**1,118**	866
Purchase of property, plant and equipment	**(175)**	(169)
Placement of pledged bank deposits	**(43,323)**	(22,861)
Placement of fixed deposits	**(27,536)**	(15,500)
Placement of financial assets at FVTPL	**(73,920)**	(21,913)
Net cash from (used in) investing activities	**14,822**	(44,938)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 *HK$'000*	2024 *HK$'000*
Financing activities		
Repayments of lease liabilities	**(126)**	(212)
Payments of interest expense	**(138)**	(52)
Cash used in financing activities	**(264)**	(264)
Net increase (decrease) in cash and cash equivalents	**18,336**	(25,224)
Cash and cash equivalents at 1 January	**59,532**	86,100
Effect of foreign exchange rate changes	**1,083**	(1,344)
Cash and cash equivalents at 31 December	**78,951**	59,532

1. GENERAL INFORMATION

RENHENG Enterprise Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is jointly controlled by LinkBest Capital Group Limited and Open Venture Global Limited. The ultimate controlling shareholder is Ms. Liu Li, who is also the chairman and chief executive officer of the Company.

The Company acts as an investment holding company while its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of tobacco machinery products in the PRC. The address of the registered office and the address of the principal place of business of the Company are disclosed in "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the Company's functional currency of Renminbi ("RMB"). The directors of the Company adopted HK$ as presentation currency as the Company's shares are listed on the Stock Exchange and the management considers this presentation to be more useful for its current and potential investors.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

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

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

Amendments to HKFRS 21	Lack of Exchangeability

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

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

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

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

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

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

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

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

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

HKFRS 18 Presentation and Disclosure in Financial Statements

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

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The Group does not plan to early adopt HKFRS 18. HKFRS 18 will impact the presentation of financial statements (including aggregation and disaggregation of items within the consolidated statement of profit or loss and other comprehensive income) of the Group, but in terms of recognition and measurement, HKFRS 18 is not expected to have significant impact on the financial performance and positions of the Group.

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

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when a company:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Revenue from contracts with customers

Information about the Group's accounting policies relating to Revenue from contracts with customers is provided in Notes 5 and 22.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets include:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates.

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include: fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position.

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

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

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

3.2 Material accounting policy information (Continued)

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term deposits with original maturity of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

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

3.2 Material accounting policy information (Continued)

Inventories

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

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for the construction contracts of casing and flavouring system and sales of other products are recognised at the date of the sale of the relevant products, at the directors' best estimate of the expenditure required to settled the Group's obligation.

Financial instruments

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

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

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

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

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables and retention money receivables.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event.

(iv) Write-off policy

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for Trade-related Receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

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

- Past-due status; and
- Nature, size and industry of debtors.

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

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses, net' line item (Note 8) as part of the net foreign exchange losses.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses, net' line item in profit or loss as part of net foreign exchange losses (Note 8) for financial liabilities that are not part of a designated hedging relationship.

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

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

Taxation

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

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

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

Current and deferred tax are recognised in profit or loss.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

3.2 Material accounting policy information (Continued)

Foreign currencies (Continued)

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC and the Mandatory Provident Fund Scheme ("MPF Scheme"), which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

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 related to income 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. Such grants are presented under "other income".

Research and development expenditure

Expenditures on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure is recognised in profit or loss in the period in which it is incurred, where no internally generated intangible asset can be recognised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following is a critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition at a point in time

Revenue is recognised over time when the Group's performance 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. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group after taking into consideration that the Group will not have a right to collection for performance completed to date, before reaching an agreed-upon milestone and the Group would not have an enforceable right to demand payment for performance completed to date if the contract were to be terminated before completion for reasons other than the Group's failure to perform as promised. Accordingly, the construction work and sales of other products with no alternative use are considered to be performance obligation satisfied at a point in time.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Provision of ECL for Trade-related Receivables

Trade-related Receivables are assessed for ECL individually. The Group recognises lifetime ECL for Trade-related Receivables based on internal credit ratings of trade debtors by considering aging, repayment history and/or past due status of respective Trade-related Receivables. The estimation on lifetime ECL is required in assessing probability-weighted estimate of the credit loss which is based on historical observed default rates over the expected life of the debtors and forward-looking information, which based on economic variables such as growth rate of gross domestic product and unemployment rate, economic scenarios and weightings. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

The provision of ECL is sensitive to changes in estimates. The information about the Group's Trade-related Receivables and the related ECL assessment are disclosed in Notes 17 and 28(b), respectively.

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, a material recognition of allowance for inventories may arise, which would be recognised in profit or loss in the period in which such recognition takes place.

At 31 December 2025, the carrying amount of inventories is HK$105,373,000 (2024: HK$56,296,000), after netting of allowance of HK$6,493,000 (2024: HK$9,227,000). During the year ended 31 December 2025, a reversal of inventory allowance amounting to HK$2,797,000 was recognised (2024: allowance of HK$1,088,000 recognised).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers and segment information

Type of products	2025 HK$'000	2024 HK$'000
Construction contracts of casing and flavouring system	**86,375**	108,722
Sales of other products		
– pneumatic feeding system	**18,381**	3,509
– pre-pressing packing machine	**2,040**	–
– other goods	**626**	2,665
	21,047	6,174
Total	**107,422**	114,896

All of the Group's revenue are derived in the PRC, which are determined by the location where the systems or products are installed or delivered. The revenue from construction contracts of casing and flavouring system and sales of other products are recognised at a point in time.

(ii) Performance obligations for contracts with customers and revenue recognition policies

Construction contracts of casing and flavouring system

The Group provides construction services of casing and flavouring system to its customers which are cigarette manufacturers in the PRC. For the contracts entered into with customers, the contract prices are fixed and the relevant casing and flavouring system specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant casing and flavouring system to customers. Revenue from construction contracts of casing and flavouring system is therefore recognised at a point in time when the completed casing and flavouring system is transferred to customers, being at the point that the customer obtains the control of the completed casing and flavouring system and the Group has unconditional right to payment and collection of the consideration is probable.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

Construction contracts of casing and flavouring system (Continued)

The Group receives 10% to 30% of the contract value as deposits from customers when they sign the construction agreement. Such advance payment schemes result in contract liabilities being recognised throughout the construction period.

The defect liability period, ranging from one to three years from the date of the practical completion of the construction, serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Sales of other products

The Group sells pneumatic feeding system, pre-pressing packing machine and other goods directly to the customers which are cigarette manufacturers and tobacco redrying factories in the PRC. For the sales of other products to the customers, revenue is recognised at a point in time when control of the goods has transferred, being the point of time the goods have been delivered to the customers. The normal credit term is 90 days upon delivery.

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2025 and 2024 and the expected timing of recognising revenue are as follows:

	2025	2024
	HK$'000	*HK$'000*
Construction contracts of casing and flavouring system		
– Within one year	**120,126**	67,428
– More than one year but not more than two years	**53,010**	75,343
	173,136	142,771
Sales of other products		
– Within one year	**8,897**	23,229
– More than one year but not more than two years	**2,255**	2,229
– More than two years but not more than three years	**344**	–
	11,496	25,458
	184,632	168,229

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iv) Segment information

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sale of tobacco machinery products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with HKFRS Accounting Standards, that are regularly reviewed by the chief executive officer of the Company, being the chief operating decision maker ("CODM") of the Company. The CODM regularly reviews revenue analysis by products, including casing and flavouring system, pneumatic feeding system, pre-pressing packing machine and other products. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective goods. The CODM reviews the revenue and the profit for the year of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The details of revenue by products is same as those disclosed in Note 5(i). The revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2025	2024
	HK$'000	*HK$'000*
Customer A	**34,899**	28,152
Customer B	**N/A***	23,013
Customer C	**–**	22,494
Customer D	**14,873**	–
Customer E	**12,842**	N/A*
Customer F	**11,051**	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

All of the Group's revenue are derived in the PRC, which are determined by the location where the systems or products being installed or delivered. The Group's non-current assets are substantially all located in the PRC.

6. OTHER INCOME

	2025	2024
	HK$'000	*HK$'000*
Government grants *(Note)*	**1,849**	1,047
Bank interest income	**1,118**	866
Others	**112**	–
	3,079	1,913

Note:

These government grants were for immediate and unconditional financial support with no future related costs and not related to any assets. Therefore, the Group recognised the income upon receipts.

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2025	2024
	HK$'000	*HK$'000*
Impairment losses recognised on		
– Trade-related Receivables	**594**	114

8. OTHER GAINS AND LOSSES, NET

	2025	2024
	HK$'000	*HK$'000*
Sales of scrap materials, parts and components, net	**1,267**	1,221
Gain on fair value changes from financial assets at FVTPL	**189**	–
Net foreign exchange losses	**(160)**	(417)
Others	**84**	–
	1,380	804

9. PROFIT BEFORE TAXATION

	2025 HK$'000	2024 HK$'000
Profit before taxation has been arriving at after charging (crediting):		
Directors' emoluments *(Note 10)*	**2,906**	2,195
Other staff costs:		
Salaries, bonuses and allowances	**15,854**	15,671
Retirement benefits scheme contributions	**2,194**	1,932
Total staff costs	**20,954**	19,798
Capitalised in inventories	**(6,042)**	(5,704)
	14,912	14,094
Auditor's remuneration	**1,047**	1,066
Depreciation of property, plant and equipment	**1,552**	2,084
Depreciation of right-of-use assets	**364**	298
Finance costs of lease liabilities	**138**	52
Cost of inventories recognised as an expense (including reversal of write-down of inventories amounting to HK$2,797,000 (2024: write-down of inventories HK$1,088,000))	**56,001**	76,369

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
2025				
Executive directors:				
Ms. Liu Li (Chief Executive officer)	**–**	**2,016**	**18**	**2,034**
Ms. Lew Lai Kuen *(Note i)*	**12**	**362**	**18**	**392**
Mr. Wen Yuan *(Note ii)*	**120**	**–**	**–**	**120**
Independent non-executive directors:				
Mr. Lam Chi Wing	**120**	**–**	**–**	**120**
Dr. Lam Lee G.	**120**	**–**	**–**	**120**
Mr. Cheung Kwong Tat *(Note iv)*	**20**	**–**	**–**	**20**
Mr. Wu Wei *(Note v)*	**100**	**–**	**–**	**100**
	492	**2,378**	**36**	**2,906**

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Compensation *HK$'000*	Total emoluments *HK$'000*
2024					
Executive directors:					
Ms. Liu Li (Chief Executive officer)	–	1,216	18	–	1,234
Ms. Lew Lai Kuen *(Note i)*	–	163	7	–	170
Mr. Wen Yuan *(Note ii)*	–	8	–	–	8
Mr. Xu Jiagui *(Note iii)*	–	118	4	301	423
Independent non-executive directors:					
Mr. Lam Chi Wing	120	–	–	–	120
Dr. Lam Lee G.	120	–	–	–	120
Mr. Wu Wei	120	–	–	–	120
	360	1,505	29	301	2,195

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

(i) Ms. Lew Lai Kuen was appointed as an executive director of the Company on 10 July 2024.

(ii) Mr. Wen Yuan was appointed as an executive director of the Company on 6 December 2024 and resigned on 20 February 2026.

(iii) Mr. Xu Jiagui resigned as an executive director of the Company on 10 July 2024. The compensation represents termination benefits for the year ended 31 December 2024.

(iv) Mr. Cheung Kwong Tat was appointed as an independent non-executive director of the Company on 31 October 2025.

(v) Mr. Wu Wei resigned as an independent non-executive director of the Company on 31 October 2025.

No performance related incentive payments were paid to the directors of the Company for both years.

The emoluments of executive directors shown above were paid for their services in connection with the management of the affairs of the Company and the Group and for serving as directors of the Company or its subsidiaries and those paid to independent non-executive directors were for serving as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

The five highest paid employees of the Group included two (2024: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2024: three) highest paid employees of the Group are as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Employees		
– salaries and allowances	**1,575**	1,412
– retirement benefits scheme contributions	**73**	52
	1,648	1,464

The emoluments of each of the five highest paid individuals who are not directors of the Company during both years are below HK$1,000,000.

During both years, no remuneration was paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2025 HK$'000	2024 HK$'000
The charge comprises:		
Current tax		
PRC EIT	**2,502**	2,939
PRC withholding tax	**1,199**	–
	3,701	2,939
(Over) under provision in prior year:		
PRC EIT	**(262)**	173
	3,439	3,112
Deferred taxation *(Note 23)*	**(469)**	187
	2,970	3,299

No provision for taxation in Hong Kong has been made as the Group has no assessable profit arisen in, or was derived from Hong Kong.

The provision for EIT is based on the estimated taxable income for PRC taxation purposes at 25% for the current period (2024: 25%) under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

Under the EIT Law, a qualified High and New-Tech Enterprise ("HNTE") can enjoy a reduced tax rate of 15%. A PRC subsidiary of the Company was recognised and approved as a HNTE during the year ended 31 December 2024. The HNTE qualification is effective from 2024 and will expire for the PRC subsidiary in 2026, therefore the PRC subsidiary is entitled to a reduced tax rate at 15% for the years ended 31 December 2025 and 2024.

11. TAXATION (Continued)

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

	2025	2024
	HK$'000	*HK$'000*
Profit before taxation	**16,925**	10,334
Tax charge at the applicable tax rate of 25% (2024: 25%)	**4,231**	2,584
Tax effect of expenses not deductible for tax purposes	**637**	756
Effect of different tax rate of a subsidiary in another jurisdiction *(Note a)*	**122**	449
PRC withholding tax on undistributed profit of a PRC subsidiary *(Note b)*	**412**	537
Tax effect of tax losses not recognised	**889**	569
(Over) under provision in prior year	**(262)**	173
Income tax at concessionary rate	**(3,059)**	(1,769)
Tax charge for the year	**2,970**	3,299

Notes:

a. The tax rate of a subsidiary used in other jurisdiction is the Hong Kong Profits Tax rate 16.5% (2024: 16.5%).

b. Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC established subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. At 31 December 2025, deferred taxation had been provided in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of relevant PRC established entities at a tax rate of 5% (2024: 5%).

12. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during 2025 (2024: nil), nor was any dividend been proposed by the Company since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for both years is based on the following data:

	2025	2024
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**13,955**	7,035

	Number of shares	
	2025	2024
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**804,000,000**	804,000,000

No diluted earnings per share is presented for both 2025 and 2024 as there was no potential ordinary share in issue for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and office equipment	Computer equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2024	31,819	1,173	583	2,067	10,854	46,496
Currency realignment	(680)	(25)	(12)	(44)	(232)	(993)
Additions	–	52	96	–	21	169
Disposals	–	–	(13)	–	–	(13)
At 31 December 2024	31,139	1,200	654	2,023	10,643	45,659
Currency realignment	786	30	16	51	269	1,152
Additions	–	20	40	–	115	175
At 31 December 2025	31,925	1,250	710	2,074	11,027	46,986
DEPRECIATION						
At 1 January 2024	13,803	1,068	484	1,527	8,553	25,435
Currency realignment	(294)	(23)	(11)	(33)	(183)	(544)
Provided for the year	1,421	17	63	86	497	2,084
Eliminated on disposals	–	–	(13)	–	–	(13)
At 31 December 2024	14,930	1,062	523	1,580	8,867	26,962
Currency realignment	378	27	15	40	224	684
Provided for the year	944	2	90	88	428	1,552
At 31 December 2025	16,252	1,091	628	1,708	9,519	29,198
CARRYING VALUES						
At 31 December 2025	15,673	159	82	366	1,508	17,788
At 31 December 2024	16,209	138	131	443	1,776	18,697

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated at the following rates per annum, after taking into account of their estimated residual values, on a straight-line basis:

Buildings	5%
Furniture, fixtures and office equipment	20% – 33%
Computer equipment	33%
Motor vehicles	10% – 20%
Plant and machinery	20%

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) Right-of-use assets

	Leasehold lands *HK$'000*	Leased properties *HK$'000*	Total *HK$'000*
COST			
At 1 January 2024	5,332	1,709	7,041
Currency realignment	(114)	–	(114)
Write off	–	(1,709)	(1,709)
At 31 December 2024	5,218	–	5,218
Currency realignment	132	–	132
Addition	–	331	331
At 31 December 2025	5,350	331	5,681
DEPRECIATION			
At 1 January 2024	450	1,570	2,020
Currency realignment	(11)	–	(11)
Charge to profit or loss during the year	159	139	298
Write off	–	(1,709)	(1,709)
At 31 December 2024	598	–	598
Currency realignment	17	–	17
Charge to profit or loss during the year	159	205	364
At 31 December 2025	774	205	979
CARRYING AMOUNT			
At 31 December 2025	4,576	126	4,702
At 31 December 2024	4,620	–	4,620

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (Continued)

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

	2025	2024
	HK$'000	*HK$'000*
Short-term leases	**240**	240
Total cash outflow for leases	**504**	504

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of one to two years.

The right-of-use assets are depreciated on a straight-line basis at 2% per annum for leasehold lands and over the lease terms for leased properties.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately as the payments made can be allocated reliably.

(b) Lease liabilities

	2025	2024
	HK$'000	*HK$'000*
Lease liabilities payables:		
Within one year	**205**	–
Amount due for settlement with 12 months shown under current liabilities as at 31 December 2025	**205**	–

The weighted average incremental borrowing rates applied to the Group's lease liabilities is 4.14% per annum.

16. INVENTORIES

	2025	2024
	HK$'000	*HK$'000*
Raw materials	**2,710**	4,245
Work in progress	**102,663**	52,051
	105,373	56,296

Inventory of HK$31,813,000 (2024: HK$4,879,000) are expected to be recovered after more than 12 months.

17. TRADE AND OTHER RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Trade receivables	**36,503**	39,274
Less: allowance for credit losses	**(4,651)**	(3,563)
	31,852	35,711
Retention money receivables	**8,370**	8,660
Less: allowance for credit losses	**(226)**	(607)
	8,144	8,053
	39,996	43,764
Prepayments (Note i)	**1,301**	1,572
Other receivables from third parties	**3,938**	3,689
Less: allowance for credit losses *(Note ii)*	**(464)**	(452)
	3,474	3,237
Value-added tax recoverable	**1,335**	–
Advance for reimbursement	**505**	807
	46,611	49,380

Notes:

i. Reversal of impairment loss of HK$84,000 (2024: nil) (Note 8) was recognised for prepayment and the accumulated impairment loss on prepayments amounted to HK$276,000 as at 31 December 2025 (2024: HK$352,000).

ii. No addition or reversal of impairment loss was recognised except currency realignment on other receivables during the years ended 31 December 2025 and 2024.

The Group normally allows a credit period of three months to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

At 1 January 2024, trade receivables from contracts with customers amounted to HK$21,572,000, and the retention money receivables amounted to HK$6,340,000.

17. TRADE AND OTHER RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables (net of allowance for credit losses) presented based on the completion date at the end of the reporting periods.

	2025	2024
	HK$'000	*HK$'000*
0 – 90 days	**8,240**	7,550
91 – 365 days	**15,020**	21,438
1 – 2 years	**8,592**	6,723
	31,852	35,711

As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$22,025,000 (2024: HK$27,172,000) which are past due over 90 days and is not considered as in default as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Retention money receivables refer to the sum retained by customers after the delivery and completion of the contracts (including construction works and sales of other products) but before the expiry of the warranty period given by the Group, which in general, a period of one to two years and presented as current assets as the receivables are within the normal operating cycle. The Group has not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 28(b).

18. FINANCIAL ASSETS AT FVTPL

	2025	2024
	HK$'000	*HK$'000*
Financial assets at FVTPL		
– Structured deposits *(Note)*	**–**	21,598

Note:

The balance as at the end of the prior period represented assets with a flexible maturity of no more than three months, whose contractual yield rate was floating and linked to the performance of the underlying assets.

19. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS/FIXED DEPOSITS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.00% to 0.30% (2024: 0.00% to 0.45%) per annum.

Pledged bank deposits carry effective interest rate range from 0.05% to 1.5% (2024: 0.80% to 1.20%) per annum and represent deposits to banks for the settlement of bill payables and to secure certain construction contracts.

The fixed deposits are within a term from more than 3 months to 12 months and carry fixed interest at rates ranging from 1.30% to 2.91% (2024: 3.03% to 3.77%) per annum.

Details of impairment assessment of pledged bank deposits, cash and cash equivalents and fixed deposits are set out in Note 28(b).

20. TRADE AND OTHER PAYABLES

	2025 HK$'000	2024 HK$'000
Trade payables	**14,310**	12,509
Bills payables	**9,398**	7,521
	23,708	20,030
Accrued welfare expenses	**3,146**	3,060
Deposits and others	**6,269**	5,000
Other tax payables	**2,190**	1,210
	35,313	29,300

Note:

The following is an ageing analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2025 HK$'000	2024 HK$'000
0 – 90 days	**16,392**	12,019
91 – 365 days	**6,545**	7,122
1 – 2 years	**310**	96
Over 2 years	**461**	793
	23,708	20,030

The average credit period on purchase of goods is 90 days.

21. WARRANTY PROVISION

	2025 HK$'000
At the beginning of the year	**5,206**
Additions	**1,626**
Utilisations	**(2,032)**
At 31 December 2025	**4,800**

21. WARRANTY PROVISION (Continued)

The warranty provision represents management's best estimate of the Group's liability under 1-2 years assurance-type warranty granted on construction contracts of casing and flavouring system and sales of other products, based on prior experience and industry averages for defective products.

22. CONTRACT LIABILITIES

	2025	2024
	HK$'000	*HK$'000*
Construction contracts of casing and flavouring system	**95,477**	47,540
Sales of other products	**4,748**	24,307
	100,225	71,847

As at 1 January 2024, contract liabilities amounted to HK$57,828,000.

Contract liabilities are expected to be settled within the Group's normal operating cycle and classified as current liabilities. Of this amount, HK$39,929,000 (2024: HK$16,442,000) is not expected to be recognised as revenue within one year based on the Group's earliest obligation to transfer goods or services to customers.

The increase in contract liabilities was mainly attributable to the higher contract volume and contract sums obtained for the current year.

The Group receives 10% to 30% of the contract value as deposits from customers when they sign the construction contract or sale agreement, which will give rise to contract liabilities at the start of a contract.

For the revenue recognised during the year ended 31 December 2025, HK$32,778,000 and HK$23,815,000 (2024: HK$29,228,000 and HK$9,726,000) were included in the contract liabilities balance at the beginning of the year for the construction contracts of casing and flavouring system and sales of other products, respectively. There is no revenue recognised during the year which related to performance obligation that has satisfied in prior periods.

23. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Provision for trade and other receivables and others	Provision for inventories	Revaluation of a property	Withholding tax on undistributed profit	Accrued warranty provision	Timing differences on construction contracts	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2024	745	1,247	(3,768)	(715)	811	–	(1,680)
Currency realignment	(15)	(29)	79	23	(16)	(2)	40
Charge (credit) to profit or loss for the year	18	166	80	(537)	(14)	100	(187)
At 31 December 2024	748	1,384	(3,609)	(1,229)	781	98	(1,827)
Currency realignment	20	29	(90)	(23)	19	3	(42)
Charge (credit) to profit or loss for the year	77	(439)	80	787	(80)	44	469
At 31 December 2025	845	974	(3,619)	(465)	720	145	(1,400)

At the end of the reporting period, the Group has unused tax losses of approximately HK$14,066,000 (2024: HK$8,678,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams, these losses may be carried forward indefinitely.

24. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.0025 each at 1 January 2024, 31 December 2024 and 31 December 2025	4,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.0025 each at 1 January 2024, 31 December 2024 and 31 December 2025	804,000,000	2,010

25. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees of the Group's PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of its payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The amounts incurred for retirement benefits scheme contributions are disclosed in Notes 9 and 10. According to the respective schemes, those contributions are not refundable nor forfeitable.

The total expense recognised in profit or loss of HK$2,230,000 (2024: HK$1,961,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2025, contributions of nil (2024: nil) due in respect of the year ended 31 December 2025 had not been paid over to the plans.

26. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions with related parties:

Relationship	**Natures of transactions**	**2025** ***HK$'000***	2024 *HK$'000*
An entity controlled by Ms. Liu Li	Expenses relating to short-term leases	**240**	240

Compensation of key management personnel

Details of the remuneration of key management personnel, which are the directors and five highest paid employees, during the year, were set out in Note 10.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Company reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 HK$'000	2024 HK$'000
Financial assets		
At amortised cost*	**158,866**	133,828
At FVTPL	**–**	21,598
Financial liabilities		
At amortised cost**	**29,977**	25,030

* Prepayments, advance for reimbursement, retention money receivables and value-added tax recoverable are excluded

** Accrued welfare expenses, other tax payables and accrued warranty provision are excluded

(b) Financial risk management objectives and policies

The Group's major financial instruments include certain trade and other receivables, pledged bank deposits, fixed deposits, financial assets at FVTPL, cash and cash equivalents, certain trade and other payables and lease liabilities.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and lease liabilities include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk from prior year.

Currency risk

A subsidiary of the Company has foreign currency bank balances against the functional currency of the relevant entity which expose the Group to foreign currency risk.

The carrying amounts of the foreign currencies (other than the functional currency) denominated monetary assets of the Group, representing cash and cash equivalents, at the end of reporting period are as follows:

	2025 HK$'000	2024 HK$'000
RMB	**5,716**	119
United States dollars ("US$")	**102**	104

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

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group's sensitivity to a 5% increase in its functional currency against RMB will lead to a decrease in profit for the year of HK$239,000 (2024:HK$5,000). For a 5% weakening of its functional currency against HK$, there would be an equal but opposite impact on the profit for the year. The management of the Group considers the Group's exposure for US$ is not significant and no sensitivity analysis on US$ is presented.

5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary item and adjusts its translation at the year end for a 5% change in foreign currency rate.

In the management's opinion, the sensitivity analysis is unrepresentative for the foreign exchange risk as the exposure at the end of reporting period does not reflect the exposure during the year.

Interest rate risk

The Group's cash and cash equivalents have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on pledged bank deposits and cash and cash equivalents (see Note 19 for details) at the end of the reporting period. The management considers the Group's exposure of the short-term bank deposits and balances to interest rate risk is not significant and no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk is primarily attributable to Trade-related Receivables, other receivables, pledged bank deposits, fixed deposits and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade-related Receivables arising from contracts with customers

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade-related Receivables arising from contracts with customers (Continued)

At 31 December 2025, the Group has concentration of credit risk as 25% and 85% (2024: 33% and 76%) of the aggregated amount of Trade-related Receivables was due from the Group's largest debtor and five largest debtors respectively, which operate in the tobacco industry in the PRC. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had concentration of credit risk by geographical location as Trade-related Receivables comprise various debtors which are all located in the PRC during the years ended 31 December 2025 and 2024.

In addition, the Group performs impairment assessment under ECL model on trade related balances on a collective basis and estimates the amount of lifetime ECL of Trade-related Receivables based on internal credit ratings of trade debtors by considering aging, repayment history and/or past due status of respective Trade-related Receivables. Impairment loss recognised on Trade-related Receivables amounted to HK$594,000 was recognised during the year ended 31 December 2025 (2024: HK$114,000). Details of the quantitative disclosures are set out below in this note.

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

Internal credit rating	Description	Trade-related Receivables	Other financial assets/other items
Low risk	The counterparty is controlled by a large state-owned enterprise with good credit standing, and has a very strong solvency and has a low risk of default.	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor has strong solvency and may repay after due but usually settle in full.	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	Debtor has poor solvency with long aged balance, and has a high risk of default.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired and the Group has no realistic prospect of recovery.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade-related Receivables arising from contracts with customers (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its tobacco machinery manufacturing operation. The following table provides information about the exposure to credit risk for Trade-related receivables which are assessed on a collective basis within lifetime ECL.

As at 31 December 2025

	Loss rate	**Gross carrying amount** *HK$'000*	**Impaired loss allowance** *HK$'000*
Internal credit rating			
Low risk	**–**	**31,007**	**–**
Watch list	**4.08%**	**3,307**	**135**
Doubtful	**24.11%**	**7,665**	**1,848**
Loss	**100.00%**	**2,894**	**2,894**
		44,873	**4,877**

As at 31 December 2024

	Loss rate	Gross carrying amount *HK$'000*	Impaired loss allowance *HK$'000*
Internal credit rating			
Low risk	0.02%	28,246	5
Watch list	5.65%	16,144	912
Doubtful	24.42%	385	94
Loss	100.00%	3,159	3,159
		47,934	4,170

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade-related Receivables arising from contracts with customers (Continued)

The following table shows the movements in lifetime ECL that has been recognised for Trade-related Receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2024	1,215	2,931	4,146
Currency realignment	(20)	(70)	(90)
Impairment loss recognised	654	468	1,122
Impairment loss reversed	(838)	(170)	(1,008)
As at 31 December 2024	1,011	3,159	4,170
Currency realignment	32	81	113
Impairment loss recognised	1,324	37	1,361
Impairment loss reversed	(384)	(383)	(767)
As at 31 December 2025	1,983	2,894	4,877

Pledged bank deposits/cash and cash equivalents/fixed deposits

Credit risk on pledged bank deposits, cash and cash equivalents and fixed deposits is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits, cash and cash equivalents and fixed deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on ledged bank deposits, cash and cash equivalents and fixed deposits is considered to be insignificant and thus no loss allowance was recognised.

Other receivables

For other receivables, the directors of the Company assessed the ECL individually based on internal credit rating which, in the opinion of the directors of the Company, there have been no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and forward looking information that is available without undue cost or effort. Therefore the Group provided impairment based on 12m ECL. For the years ended 31 December 2025 and 2024, the Group assessed the ECL for other receivables to be insignificant and thus no loss allowance was recognised.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represented both principal and interest cash flows, where applicable.

	Weighted average interest rate per annum %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Undiscounted cash flows HK$'000	Carrying amounts HK$'000
2025					
Trade and other payables	–	29,977	–	29,977	29,977
Lease liabilities	4.14	66	198	264	205
		30,043	198	30,241	30,182

	Weighted average interest rate per annum %	Repayable on demand or less than 3 months HK$'000	Undiscounted cash flows HK$'000	Carrying amounts HK$'000
2024				
Trade and other payables	–	25,030	25,030	25,030
		25,030	25,030	25,030

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and input used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31/12/2025	31/12/2024		
Structured deposits classified as financial assets at FVTPL	**N/A**	Assets – HK$21,598,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the contract and available market.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost recognised in the consolidated financial statements approximate their fair values.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities
	HK$'000
At 1 January 2024	212
Financing cash flow	(264)
Interest on lease liabilities	52
At 31 December 2024	–
Financing cash flow	(264)
New leases entered	331
Interest on lease liabilities	138
At 31 December 2025	205

30. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2025 and 2024 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital		Attributable to the owners of the Company		Principal activities
		2025	2024	**2025**	2024	
Directly owned subsidiaries:						
RENHENG Global	British Virgin Islands ("BVI")	**US$50,000**	US$50,000	**100%**	100%	Investment holding
RENHENG Future Holdings Limited	BVI	**US$100**	US$100	**100%**	100%	Investment holding
Indirectly owned subsidiaries:						
RENHENG Tech Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
RENHENG Future Limited	Hong Kong	**HK$100**	HK$100	**100%**	100%	Investment holding
Salus Medical Company Limited*	Hong Kong	**N/A**	HK$10,000	**N/A**	100%	Investment holding
Baoying Renheng** 寶應仁恒實業有限公司	PRC	**RMB 73,857,143**	RMB 73,857,143	**100%**	100%	Manufacture and sale of tobacco machinery products

* The subsidiary has been deregistered during the year ended 31 December 2025.

** The subsidiary is wholly foreign-owned enterprise.

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

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2025 HK$'000	2024 HK$'000
Non-current assets		
Investment in a subsidiary	**378**	378
Amount due from a subsidiary *(Note)*	**–**	469
	378	847
Current assets		
Amount due from a subsidiary	**92**	92
Cash and cash equivalents	**427**	531
Prepayment	**222**	179
	741	802
Current liabilities		
Amount due to a subsidiary	**1,976**	795
Amount due to directors	**928**	1,198
Other payables	**166**	172
	3,070	2,165
Net current liabilities	**(2,329)**	(1,363)
Net liabilities	**(1,951)**	(516)
Capital and reserves		
Share capital	**2,010**	2,010
Deficits	**(3,961)**	(2,526)
Total deficits	**(1,951)**	(516)

Note: The amounts are unsecured, interest-free and repayable on demand. The advance which is not expected to be settled within one year from the end of the year is classified under non-current assets.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in Company's reserves is set out below:

	Share premium *HK$'000* *(Note a)*	**Other reserve** *HK$'000* *(Note b)*	**Accumulated losses** *HK$'000*	**Total deficits** *HK$'000*
At 1 January 2024	41,818	378	(42,644)	(448)
Loss and total comprehensive expense for the year	–	–	(2,078)	(2,078)
At 31 December 2024	41,818	378	(44,722)	(2,526)
Loss and total comprehensive expense for the year	–	–	(1,435)	(1,435)
At 31 December 2025	41,818	378	(46,157)	(3,961)

Notes:

(a) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. At the end of the reporting period, the Company has no reserve available for distribution (2024: nil).

(b) Other reserve represented the share capital of RENHENG Global which was acquired by the Company at nil consideration pursuant to the group reorganisation underwent in prior years.

FINANCIAL SUMMARY

	Year ended 31 December				
	2021	2022	2023	2024	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	73,731	69,083	124,423	114,896	**107,422**
Profit (loss) before taxation	3,368	(588)	17,918	10,334	**16,925**
Taxation	(2,647)	(1,775)	(4,360)	(3,299)	**(2,970)**
Profit (loss) for the year	721	(2,363)	13,558	7,035	**13,955**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings (loss) per share					
– Basic and diluted	0.09	(0.29)	1.69	0.88	**1.74**

	As at 31 December				
	2021	2022	2023	2024	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	267,998	258,448	235,517	245,471	**298,014**
Total liabilities	(144,800)	(147,127)	(112,131)	(117,460)	**(153,192)**
Net assets	123,198	111,321	123,386	128,011	**144,822**