

MIKO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1247

ANNUAL REPORT 2025



redkids 红孩儿



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CORPORATE INFORMATION

BOARD AND COMMITTEES

Executive Directors

Mr. Ding Peiji
Ms. Liu Min
Mr. Yu Jianjun
Mr. Ding Peiyuan
(resigned on 30 September 2025)

Independent Non-Executive Directors

Mr. Ng Shing Kin
Mr. Chen Jun
Mr. Guo Zheng

Audit Committee

Mr. Ng Shing Kin (*Chairman*)
Mr. Guo Zheng
Mr. Chen Jun

Remuneration Committee

Mr. Guo Zheng (*Chairman*)
Mr. Chen Jun
Mr. Yu Jianjun

Nomination Committee

Mr. Chen Jun (*Chairman*)
Ms. Liu Min
Mr. Ng Shing Kin

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Mr. Ding Peiji
Mr. Pang Wing Hong

COMPANY SECRETARY

Mr. Pang Wing Hong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PLACE OF BUSINESS IN THE PRC

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Economic Technology Development Zone
Quanzhou City
Fujian Province 362000
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1601, Ho King Commercial Centre
2-16 Fa Yuen Street
Mong Kok, Kowloon
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, 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

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17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited

INVESTOR RELATIONS CONTACT

Email: ir@redkids.com

WEBSITE

www.redkids.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Miko International Holdings Limited (the “**Company**”), I hereby present full-year results for the year ended 31 December 2025.

For the full year of 2025, revenue and net loss before taxation of the Group amounted to approximately RMB608.4 million and RMB58.8 million respectively, as compared to revenue and net loss before taxation of approximately RMB389.1 million and RMB27.9 million respectively for the full year of 2024. The significant increase in revenue was primarily driven by the further development of the Group's supply chain management business during the year.

During the year of 2025, the economy of Mainland China faced a challenging period of time in operating environment even the Chinese government continued to implement certain stimulated policies on domestic demand and consumption. Changes in consumption pattern, lower confidence and lower income of the consumers were observed as the consumers became more cautious in spending and the consumption of the goods. This resulted in lower and soft demand in the wholesale and retail market in Mainland China in the year of 2025. These external factors, combined with the characteristics of the supply chain management business, lowered the Group's overall gross margin during the year.

The Group expects the business scope of the supply chain management business to be expanded to the importing and exporting of bulk commodity including but not limited to industrial and food products. In addition, the Group aims to further diversify its business by exploring new opportunities in relation to the Group's existing apparel business in Mainland China.

The supply chain management business is an industry that generally operates with lower gross margins compared to the Group's traditional apparel business. This margin difference, combined with the challenging market conditions, was the primary driver of the overall lower margin. Accordingly, the Group continued to face with a challenging year despite the strong top-line growth in the year of 2025.

CHAIRMAN'S STATEMENT

To achieve the Group's strategic objectives, the Group is committed to enhancing operational efficiency by actively improving internal systems, refining processes, enhancing quality and lowering costs. In addition, the Group is continuously strengthening budget management, reduced costs, enhanced efficiency and controlled expenses to manage spending, lower costs and reduce losses. The Group will be committed to deepening marketing and commercialization, actively responding to our challenges in the PRC market. The Group will enhance the capabilities of our commercialization team through internal training and recruitment of talents with relevant expertise. To bring satisfactory and suitable returns to the Company's shareholders, the Directors will use its best endeavor to maintain the Group's existing apparel business, and at the same time, keep exploring the opportunities emerged from the Group's new business segments such as its supply chain management business and all other opportunities for investments of new scope of businesses that can have sustainable growth potential.

The Chinese government will continuously make certain effective measures and changes to stimulate the overall economic environment that would motivate the consumer demand and improve overall business environment in Mainland China. The outlook of the wholesale business of apparel related industry and supply chain management business in the year of 2026 remains optimistic in Mainland China. The Group also expects the supply chain management business to expand the business scope to the importing and exporting of bulk commodity including but not limited to industrial and food products in the year of 2026. In the medium to long-term, the Group remains positive about its business and believes that it will bring satisfactory and sustainable returns to the shareholders.

On behalf of the Board, I would like to express my sincere gratitude to our staff, shareholders and business partners for their support. We will continue with our endeavor to pursue growth, create value and opportunity for our Group and shareholders.

Ding Peiji

Chairman of the Board

30 March 2026



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's products were principally engaged in the wholesale business of design, manufacture and sales of children's apparel and other apparel related products in Mainland China. In addition, the supply chain management business of the Group has been emerged and its business scope included but not limited to the trading of bulk commodity in Mainland China in the year of 2025.

The Group's revenue was affected by the challenging business environment in the year of 2025 even with the emergence of the supply chain management business. The Group's revenue recorded an increase of about 56.4%, from approximately RMB389.1 million for FY2024 to approximately RMB608.4 million for FY2025.

Wholesale business of children's apparel and other apparel related products amounted to approximately RMB75.4 million or approximately 12.4% for the Group's revenue during FY2025 as compared to that of approximately RMB260.3 million for FY2024.

Supply chain management business amounted to approximately RMB533.0 million or 87.6% for the Group's revenue during FY2025 as compared to that of approximately RMB128.8 million for FY2024.

Cost of Sales

The cost of sales increased by approximately RMB224.4 million or approximately 60.6%, from approximately RMB370.0 million for FY2024 to approximately RMB594.4 million for FY2025. The increase was generally in line with the changes in products and sales mix with the emergence of supply chain management business in relation to the trading of bulk commodity during the year.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit decreased by approximately RMB5.1 million or approximately 26.8%, from approximately RMB19.1 million for FY2024 to approximately RMB14.0 million for FY2025. Gross profit margin decreased by 2.6 percent points, from 4.9% for FY2024 to 2.3% for FY2025.

Other Revenue

Other revenue primarily consisted of interest income from bank deposits of approximately RMB1.0 million (FY2024: approximately RMB1.4 million) and rental income and others of approximately RMB2.2 million (FY2024: approximately RMB1.3 million).

(Allowance)/Reversal of Allowance Expected Credit Losses on Trade and Other Receivables, Net

Allowance for expected credit losses on trade and other receivables of approximately RMB24.9 million (FY2024: reversal of allowance for expected credit losses of approximately RMB0.3 million) are recorded resulting from the management of the Company taking into consideration of the current credit worthiness, the past collection history, the aged status and the prevailing market conditions. The Company will continue to conduct comprehensive review of the distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debt within the credit period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of salaries and benefits for sales and marketing personnel, and advertising and marketing expenses. Selling and distribution expenses recorded a decrease of approximately 7.1%, from approximately RMB25.4 million for FY2024 to approximately RMB23.6 million for FY2025. The decrease was resulted from the less advertising and marketing expenses under the current business environment.

As a percentage of turnover, selling and distribution expenses were 6.5% and 3.9% for FY2024 and FY2025 respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consisted of design and development expenses, salaries and benefits for administrative personnel, and professional expenses in relation to legal and financial advisory services.

Administrative and other operating expenses were approximately RMB27.3 million for FY2025, representing an increase of approximately RMB5.9 million or an increase of approximately 27.7% as compared to approximately RMB21.4 million for FY2024.

As a percentage of turnover, administrative and other operating expenses were 5.5% and 4.5% for FY2024 and FY2025 respectively.

Finance Costs

Finance costs decreased by approximately RMB0.3 million, from approximately RMB0.6 million for FY2024 to approximately RMB0.3 million for FY2025.

Income Tax Expenses

Income tax expenses of approximately RMB0.2 million was recorded for FY2025 (FY2024: RMB0.5 million). Currently, the principal subsidiaries of the Group in Mainland China are subject to an enterprise income tax rate of 25%.

Loss for the Year before Taxation

As a result of the foregoing, loss before taxation for FY2025 of approximately RMB58.8 million was recorded as compared to approximately RMB27.9 million for FY2024.

Working Capital Management

The Group possesses sufficient cash to meet liquidity requirements and for strategic alliances and acquisitions, if any. As of 31 December 2025, the cash and cash equivalents, and bank deposits totaled approximately RMB55.2 million (31 December 2024: approximately RMB39.7 million), representing 35.1% (31 December 2024: 24.9%) of the total amount of the current assets.

Current ratio and quick ratio were 1.6 times and 1.0 times, respectively, as at 31 December 2025, as compared to 2.2 times and 2.0 times, respectively, as at 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

The inventories increased by approximately RMB40.4 million, from approximately RMB17.5 million as of 31 December 2024 to approximately RMB57.9 million as at 31 December 2025. Inventories mainly comprised raw materials of approximately RMB0.4 million (31 December 2024: approximately RMB0.8 million), work in progress of approximately RMB0.03 million (31 December 2024: approximately RMB0.1 million) and finished goods of approximately RMB57.5 million (31 December 2024: approximately RMB16.6 million). The inventory turnover was 23 days for FY2025 (FY2024: 24 days).

Written down on inventories of approximately RMB0.1 million (2024: approximately RMB2.6 million) is provided due to allowance made for obsolete and slow-moving inventory items as the net realisable value for such inventories based primarily on the estimated subsequent selling prices and salability of inventories.

Trade Receivables

Trade receivables decreased by approximately RMB45.2 million, from approximately RMB88.5 million as of 31 December 2024 to approximately RMB43.3 million as of 31 December 2025.

Trade receivables turnover was 38 days for FY2025 (FY2024: 86 days).

Allowance for expected credit losses on trade and other receivable, net of approximately RMB24.9 million (FY2024: reversal of allowance for expected credit losses of approximately RMB0.2 million) is provided resulting from the management of the Company taking into consideration of the current credit worthiness, the past collection history, the aged status and the prevailing market conditions. The Group continues to conduct comprehensive review of the distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debt within the credit period.

Trade Payables

Trade payables decreased from approximately RMB2.7 million as of 31 December 2024 to approximately RMB0.4 million as of 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets forth the cash flows for FY2025 and FY2024:

	FY2025 RMB'000	FY2024 RMB'000
Net cash used in operating activities	(8,359)	(35,615)
Net cash used in investing activities	(14,300)	(10,420)
Net cash generated from financing activities	38,054	46,941
Net increase in cash and cash equivalents	15,395	906
Cash and cash equivalents at 1 January	39,655	39,721
Effect of foreign exchange rate changes	191	(972)
Cash and cash equivalents at 31 December	55,241	39,655

The Group was in net cash position as of 31 December 2025, and the gearing ratio was 8.7% as of 31 December 2025 (31 December 2024: 12.8%).

Notes to financial ratios

- (1) *Inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant year and multiplied by 365 days*
- (2) *Trade receivables turnover days equal to the average of the opening and closing balances of trade receivables of the relevant period divided by turnover of the relevant year and multiplied by 365 days*
- (3) *Current ratio equals to current assets divided by current liabilities as of the end of the year*
- (4) *Quick ratio equals to current assets less inventories divided by current liabilities as of the end of the year*
- (5) *Gearing ratio equals to total of bank and other borrowings divided by total equity as of the end of the year*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RISK MANAGEMENT

The Group has a treasury policy that aims to better control its treasury operations and lower borrowing cost. The treasury policy requires the Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance its daily operations and to address short-term funding needs. The Group reviews and evaluates the treasury policy from time to time to ensure its adequacy and effectiveness.

Except for operations of the Company and other investment holding companies outside Mainland China, the Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management considers the Group's exposure to currency risk insignificant.

The interest rate risk of the Group arises primarily from bank borrowings. As the Group's operations are mainly conducted in Mainland China and the majority of the Group's assets and liabilities, and sales and purchases are transacted in RMB, the Directors are of the view that the Group is not subject to significant foreign exchange rate risks.

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

Placing of Shares under General Mandate

On 26 May 2025 (after trading hours), the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 31,635,200 placing shares at the placing price of HK\$1.35 per placing share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The placing shares were allotted and issued pursuant to the general mandate, which had been approved at the annual general meeting of the Company. Details of the placing of new shares were set out in the announcements of the Company dated 26 May 2025, 29 May 2025 and 13 June 2025.

The Placing Price of HK\$1.35 per Placing Share represents: (i) a discount of approximately 15.09% to the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on 26 May 2025, being the date of the Placing Agreement; and (ii) a discount of approximately 14.77% to the average closing price of the Shares of approximately HK\$1.584 per Share as quoted on the Stock Exchange from 19 May 2025 to 23 May 2025, all dates inclusive, being the last five trading days immediately prior to the date of the Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds from Placement of Shares

On 13 June 2025, the Company completed the placement of 31,632,000 Shares and raised net proceeds of approximately HK\$41.9 million. The Company intends to fully utilise the net proceeds for the purpose as disclosed in the announcement of the Company dated 26 May 2025, 29 May 2025 and 13 June 2025.

The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2025.

	Planned applications HK\$ million	Percentage of total net proceeds	Actual usage up to 31 December 2025 HK\$ million
(i) Setting up a cross-border business-to-business platform in multi-language support and intelligent customs declaration system	7.0	16.7%	7.0
(ii) Channel development and marketing	10.0	23.9%	1.0
(iii) Expansion of manpower of the Group for the Group's expanded scope of business	6.0	14.3%	3.0
(iv) General working capital including rental payments, professional fees and other general administrative and operating expenses in respect of the Group's expanded scope of business	18.9	45.1%	18.9
	41.9	100.0%	29.9

CAPITAL COMMITMENTS

As of 31 December 2025, the Group has no capital commitments (31 December 2024: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as of 31 December 2025 and 2024.

PLEDGE OF ASSETS

As of 31 December 2025, certain properties and right-of-use assets totalled approximately RMB9.1 million (31 December 2024: approximately RMB9.5 million) were pledged for certain bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

Subsequent to the year ended 31 December 2025, the Group's indirect wholly-owned subsidiary Red Kids Group (Hong Kong) Limited entered into a Sale and Purchase Agreement on 2 December 2025 with Fujian Quanzhou Langyaoda Investment Company Limited* (福建泉州朗曜達投資有限公司) (wholly-owned by Mr. Ding Peiji, the Company's Executive Director and Chairman) to conditionally dispose of the entire equity interest of Quanzhou Hungyu Innovative Business Development Limited* (泉州紅隅科創產業發展有限公司) (the "**Target Company**"), an indirect wholly-owned property-holding subsidiary of the Company, at a consideration of RMB75.7 million (equivalent to approximately HK\$83.2 million).

This disposal constitutes a major and connected transaction under the Hong Kong Stock Exchange Listing Rules. The Company convened an extraordinary general meeting ("**EGM**") on 30 January 2026, at which the independent shareholders approved the disposal and the contemplated transactions. The purchaser has undertaken to continue leasing the Group's operational properties until 30 June 2027 upon completion. As at the date of approval of these consolidated financial statements, the disposal is yet to be completed.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group made no significant investments, material acquisitions or disposal of subsidiaries during the year ended 31 December 2025.

INVESTMENTS HELD IN FOREIGN CURRENCY AND HEDGING

For FY2025, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

EMPLOYEES AND REMUNERATION POLICIES

The emolument policy of the Group aims at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. The emolument policy of the Group will be adjusted depending on a number of factors, including changes to the market practice and stages of the business development, so as to achieve the operational targets of the Group. As at 31 December 2025, the Company employed around 200 full-time employees. The total staff costs for FY2025 was approximately RMB20.2 million (FY2024: approximately RMB27.1 million).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

The Group is delighted to present the Environmental, Social and Governance (“**ESG**”) report (the “**ESG Report**”), prepared by Miko International Holdings Limited (the “**Company**”), together with its subsidiaries (together, the “**Group**”) to summaries the Group’s ESG key issues, initiatives, and the sustainability performance of our principal business for the period from 1 January 2025 to 31 December 2025 (“**2025**” or “**2025 Reporting Period**”). The ESG Report is prepared in response to stakeholders’ expectations and concerns about the sustainable development of the Group.

This report is prepared in accordance with the ESG Reporting Code (the “**ESG Reporting Code**”) outlined in Appendix C2 of the Listing Rules and Guidance Governing the Listing of Securities on the Main Board of the Hong Kong Stock Exchange (“**HKEX**”) and follows the principles of materiality, quantitative, balance and consistency, and covers the operations and activities of the subsidiaries in the People’s Republic of China (the “**PRC**” or “**China**”) and Hong Kong. This ESG Report was compiled in compliance with the “mandatory disclosure requirements” and the “comply or explain” provisions in the ESG Reporting Code.

This ESG Report, which has been reviewed and approved by the board of the Company (the “**Board**”), both reviews and reports the core business operations and activities of the Group.

ESG OBJECTIVES AND STRATEGIES

The Group is engaged in the design, manufacture and sale of children’s apparel and other apparel products, and trading of bulk commodity products. We manufacture our products in both our factory in Quanzhou City of Fujian Province and on Original Equipment Manufacturing (“**OEM**”) orders. We sell our products through our wholesale networks throughout China.

The Group continues to strive to be an environmentally friendly and socially responsible corporation. We operate in strict compliance with the principles of minimizing risks associated with the listed ESG subject areas and aspects mentioned in the ESG Reporting Code, including but not limited to complying with legal and regulatory requirements, adherence to high ethical standards, and eliminating and minimizing negative impacts on the environment.

The Group holds a deep appreciation for the individuals who are an integral part of the business. We are committed to furthering our adherence to the various ESG principles outlined in the ESG Reporting Code. Our focus extends beyond compliance and we strive to make a meaningful impact in several key areas:

1. **Enhancing Employee Well-Being:** We prioritize the health and happiness of our employees by implementing programs that support their mental and physical well-being, offering certain work arrangements, and fostering professional growth.
2. **Creating Value for Stakeholders:** We believe in building strong relationships with our stakeholders. By engaging in open dialogue and collaboration, we ensure that our endeavors benefit all parties involved and contribute to our collective success.
3. **Supporting Community Growth and Inclusion:** We are dedicated to uplifting the communities in which we operate. Through outreach initiatives, we aim to enhance local education, infrastructure, and health services, reinforcing our commitment to social responsibility and inclusivity.

By embracing these principles, we not only uphold our responsibilities under the ESG Reporting Code but also contribute to a sustainable and inclusive future for everyone involved.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE STRUCTURE

The Board is responsible for the sustainable development of the Group and directs the Group to perform its corporate social responsibilities. The Board determinedly believes that our attention to resources management and occupational safety and health will especially help the Group achieve its established vision and mission. The Board have faith in that attaching importance to ESG management can improve our corporate image, reduce ESG risks and enhance the Group's capability to comply with relevant laws and regulations. These efforts can further improve the competitiveness of the Group and promote the sustainable development of the Group's business.

The Group's ESG philosophy is to create long-term value for its stakeholders in alignment with the strategic development and sustainability of its business. The Group is committed to maintaining a rigorous corporate governance framework to promote and safeguard the interests of shareholders and other stakeholders, thereby upholding the Group's credibility and reputation. The Group will continue to seek ways to develop our business in a more efficient and environmentally friendly manner and remains steadfast in our mission to build an inclusive and sustainable society.

The Board continuously enhances its supervision over the Company's ESG governance and increases its engagement efforts. The Company sets annual environmental targets related to its business, and the Board regularly reviews and discusses the establishment and progress of these targets. The Company has adopted the Hong Kong Stock Exchange Environmental, Social, and Governance Reporting Code, under which it carries out sustainability tasks in environmental protection, employee welfare, and operational safety.

Throughout the 2025 Reporting Period, the Group maintained the same ESG management structure and process as the last reporting period (from 1 January 2024 to 31 December 2024, "**2024**" or "**2024 Reporting Period**"). The Group fully understands that ESG policies and practices may change over time to reflect the changes in business operations, structures, technologies, laws and regulations, and the environment. The Group thus continues to invest substantial resources to monitor ESG issues, policies and practices and performance on an ongoing basis. Our ESG strategies, management policy and approach are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and opinions from our key stakeholders. The Group's visions and goals, and the ESG management policy and approach can be summarized in the following statements:

1. The Group is committed to successfully undertaking its business, while providing strong returns to our investors and supporters, mitigating risks associated with our operations, ensuring a healthy and safe working environment to our employees, and contributing to sustainable developments for the local communities and the Group.
2. The Board periodically approves and updates strategies and policies that incorporate the environmental and social issues outlined in the ESG Reporting Code. The general manager is responsible for ensuring that the Board's approved targets and strategic directions are effectively implemented in the Group's ESG activities. To support this, the general manager has appointed an ESG Manager to monitor and review ESG issues, ensuring the recommendations of the ESG Reporting Code are regularly followed and adopted. When necessary, independent professionals and consultants have been and will continue to be engaged to conduct analyses and reviews aimed at improving or resolving ESG-related matters.
3. To promote the comprehensive risk management within the Group, the Group has made a basic assessment of relevant ESG risks through the Board's extensive understanding of the business and the communication with different stakeholders, and incorporated the relevant risks into the risk management and internal control system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

The Group has compiled the ESG Report in accordance with the following reporting principles:

- | | | |
|--------------|---|---|
| Materiality | : | The Group has identified the materiality of ESG topics by stakeholder engagement and materiality assessment. The details are explained in the section of “Stakeholders Engagement and Materiality Assessment”. |
| Quantitative | : | Under feasible situation, the Group recorded, calculated and disclosed quantitative information and conducted comparisons with past performance, if applicable. Details of the calculation standards/methods for the reporting of emissions/energy consumptions are disclosed together with the data tables in relevant sections. |
| Consistency | : | The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous reporting period. |

REPORTING BOUNDARY

For the purpose of this report, the Group herein will review its core business activities and operations in terms of their environmental and social objectives, policies and practices, and their impacts and performances.

The reporting scope of the ESG Report focuses on the primary business, (i) design, manufacture and sale of apparel and related products; and (ii) trading of bulk commodity products. Only factories and offices located in the PRC are covered since the factories and offices are financially significant and operationally important to the Group, constituting the centre for administration and policy making. As such operation in the PRC is covered in both environmental section and social section in the ESG Report. The office-based operation in Hong Kong only has a small workforce working in the finance and administration department, its environmental implication is immaterial and as such is covered only in the social section in the ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

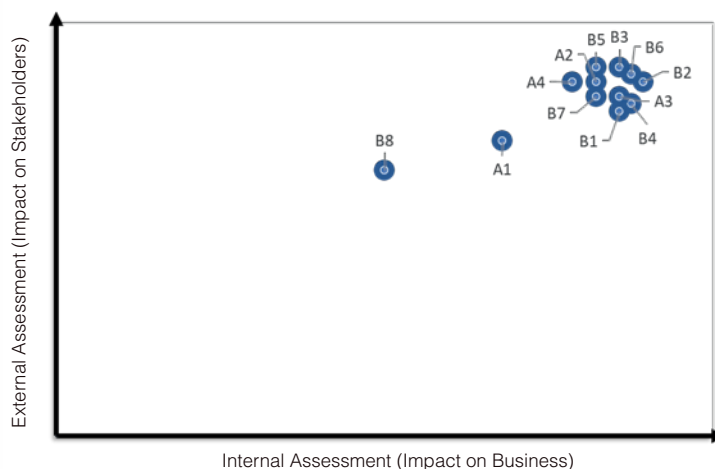
The Group always values input and feedback of its stakeholders which are considered influential and weight bearing to the overall interest and business of the Group. In this regard, the Group continues to constantly communicate with its internal and external stakeholders to canvas their views and opinions regarding not only ESG matters but also the Group's operations and performance to address their concerns.

Regarding issues that are of concerns to the stakeholders, the Group seeks stakeholders' opinions and suggestions through scheduled and ad hoc conversations through various communication channels. Internal meetings of the Group are conducted to report and discuss the feedback from the stakeholders' feedback, which will then be used as important reference for the Group's sustainable development strategy. The Group continues to assign a board member and duty managers (the "**Management Team**") to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material aspects in the 2025 Reporting Period.

Stakeholders	Communication Channels
Shareholders/ Investors	• General meetings • Information published on websites of the Company and The Stock Exchange of Hong Kong Limited • Direct emails or phone enquiries • Dispatched documents
Employees	• Direct meetings with the management executives • Emails • Annual and regular appraisal • Organized functions and activities for the employees
Customers	• Ad hoc communication meetings • Email and phone contact • Official websites
Suppliers/service providers	• Day-to-day communication through front line staff • Regular review of the signed arrangements by the management
Regulatory authorities	• Cooperate on compliance inspections • Regular submission of statements/documents required (monthly/quarterly)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Through regular communications with stakeholders and reviewing of the information collected, the Group has identified the following ESG material areas and aspects indicated in the following table:



Subject Areas		Subject Aspects
Environmental		A1. Emissions A2. Use of Resources A3. Environment and Natural Resources A4. Climate Change
Social	Employment and Labour Practices	B1. Employment B2. Health and Safety B3. Development and Training B4. Labour Standards
	Operating Practices	B5. Supply Chain Management B6. Product Responsibility B7. Anti-corruption
	Community	B8. Community Investment

The above ESG material areas and aspects have continued to be strictly managed and monitored through the Group's established management structure, process, policies and guidelines as described in this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AREAS AND ASPECTS AND PERFORMANCE

(A) ENVIRONMENTAL AREAS AND ASPECTS

Environmental Areas Overview

The Group continues to act as a responsible corporation and has abided by all the national and local environmental laws and regulations. This is the bottom line and guiding principle of business operation of the Group. Through the implementation of our “Green Environmental Policy and Measures”, the Group aims at integrating our operations and activities with the environment in a harmonious interaction by preventing pollution, achieving resource conservation and energy saving, striving for waste reduction and keeping all negative impacts towards the environment to a minimum.

Compliance of the relevant laws and regulation that have a significant impact

To establish and maintain policies and procedures to identify, evaluate and determine the significance of environmental aspects and impacts by and on the Group and ensuring compliance with all relevant national and local environmental laws and regulations of the PRC including but not limited to:

- Environmental Protection Law of the PRC;
- Environmental Impact Assessment Law of the PRC;
- Water Pollution and Control Law of the PRC; and
- Atmospheric Pollution and Control Law of the PRC;

Products of the Group are designed and manufactured either in our factory in Quanzhou City, Fujian Province or are subcontracted to other factories in China. Our products are sold in our distribution network throughout China.

The Group does not own or operate our own transport fleet. All logistic and transport operations are outsourced. In our manufacturing operations, raw materials include substantial quantities of ready-made clothing fabrics and other accessories which are supplied by others. Normal amounts of packaging materials commensurate with product and production requirements are involved. These mainly include paper, carton boxes and wooden pallets.

Our production conceivably necessitates the normal use of electricity and an incidental amount of water. The amount and rate of consumption of our resources are typical of other operators of a similar scale in the garment manufacturing industry. Fresh water is used in the factory by the workers for daily household consumption in their accommodations.

Being principally engaged in the garment production business, the Group does not produce, emit or discharge any serious hazardous gas emissions, pollutants, polluted water or wastes. Typical and consistent with other operators in the same industry, the manufacturing operation of the Group generates only non-hazardous greenhouse gas emissions indirectly through the use of electricity, and other general wastes including packaging materials, paper and clothing fabrics.

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On the other hand, the commodity products trading business primarily involves office work and does not entail manufacturing, storage, or transportation of physical goods by our Group. Consequently, it only generates non-hazardous greenhouse gas emissions indirectly through electricity consumption, along with general waste such as used papers.

In this regard, there are no laws and regulations which, in our view, are of significant impact to our production operations. We have reiterated herein that we have complied with the national and local environmental laws, and in the last 3 years, we did not receive any complaints, warning and/or fines from any environmental authorities.

Procedure

(i) The Management Team shall identify and evaluate the environmental aspects for all work activities that are most likely to give rise to significant environmental impacts.

(ii) The Management Team shall collaborate both internally and externally with relevant parties to classify all relevant work activities into the following categories:

Normal: Routine activities or tasks performed as part of standard processes;

Unusual: Non-routine tasks that arise under unexpected circumstances; and

Emergency: Events that have a significant impact on the environment and require immediate action such as major leakages and spillages, fires, etc.

(iii) When identifying the environmental aspects, all activities likely to cause environmental impact or improve general sustainability are considered including but not limited to the following:

- Gas emissions;
- Water discharge;
- Waste disposal;
- Land contamination;
- Sustainability and the efficient use of raw materials, energy, water and other natural resources;
- Other local environmental issues; and
- National and local laws and regulations.

(iv) The Management Team should review the environmental aspects at least once every year. They shall also update these aspects regularly in accordance with new laws and regulations, changes in organizational work activities and processes, production systems or equipment, and based on insights gained from incidents, accidents, organizational or external requirements.

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(v) For each environmental aspect, the Management Team shall identify and assess the environmental impacts, and the following shall be considered:

- Global warming;
- Water pollution;
- Air pollution;
- Waste generation;
- Land/soil contamination;
- Noise pollution; and
- Natural resources conservation.

Environmental Aspects

A1. Air Emissions, Polluted Water and Waste Discharge Aspect

(i) Hazardous and Non-Hazardous Air Emissions

The Group's apparel manufacturing business and commodity products trading business do not involve major environmental contamination risk. The Group is generally in compliance with the applicable laws and regulations that have a significant impact on the Group relating to environmental protection (including air and greenhouse gas emissions, water and land discharges, and generation of hazardous and non-hazardous waste).

The only non-hazardous air emission is greenhouse gas emission, namely carbon dioxide ("CO₂") emissions, generated indirectly through the use of electricity in the production processes and in our offices for ordinary heating and lighting. For the ESG reporting, the Group only disclosed the consumption of electricity in the factory and offices in the PRC.

Hazardous air emissions such as sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM") are normally be discharged from direct use of diesel, petrol and other fossil fuels. Same as the last 3 years, as the Group does not own a large fleet of vehicles and has outsourced all its transport operations to third-party transport operators, our petrol and other fossil fuel consumptions are insignificant.

During the 2025 Reporting Period, the Group's operations and activities generated a total of approximately 924.50 tonnes of indirect CO₂ emissions from the use of electricity by our factory and offices, which was approximately 86.55 tonnes or about 8.56% less than 2024 Reporting Period. The decrease in CO₂ emission was owing to the decrease in electricity consumption. For the 2025 Reporting Period, CO₂ emissions intensity was approximately 4.67 tonnes per employee located in the PRC.

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For 2025 Reporting Period, same as the last 3 years, the Group did not receive any emission complaints or warning notices from the local communities and relevant environmental agencies. With continuation of our CO₂ emission control measures, the Group targets to have 2% drop for the coming year.

(ii) *Water Pollution and Discharge*

Our operations and activities do not require much use of fresh water in our manufacturing process, other than that of the daily living uses of our staff and employees in our factory, dormitories and offices. Therefore, our operations and activities do not generate much polluted water. The fresh water used in our factory, dormitories and offices are provided and discharged without any problems through the respective centralized water supply and discharge network. Despite the insignificant amount of fresh water consumption, the Group continues to be alert and to educate the staff and workers to save and not to waste fresh water, one of the most valuable natural scarce resources in the world nowadays. We have regularly sent supervisors to inspect all the water taps to make sure that they have always been turned off whenever not in use.

Same as the last 3 years, the Group did not receive any complaints or warnings from the local community or related government agencies on our fresh water consumption and polluted water discharge in the 2025 Reporting Period. We are confident that we will achieve the same result in the coming year.

(iii) *Hazardous and Non-hazardous Wastes Discharge and Disposal*

As reported in our ESG report for 2024 Reporting Period, the Group's manufacturing process only produces solid wastes in the form of residuals from the clothing fabrics used, and packing materials of raw materials supplied, such as boxes, wood cartons and plastic wrapping, and living wastes produced by workers living in the factory dormitories. All these wastes are non-hazardous and are typical for garment manufacturing operation. The former has been sold to small operators and recyclable materials collectors on a regular basis, and the latter has been stored in central rubbish depots and removed by the city urban cleaning services on a daily basis at a fee.

During the 2025 Reporting Period, same as the last 3 years, the Group did not receive any complaints or warnings on our wastes disposal. We are again confident that we will continue with this clean and good record in the coming year.

(iv) *Noise Pollution Emission*

As reported in our ESG report for 2024 Reporting Period, the operation of the factory does generate and emit noises from sewing machines and the central cooling system, which is not too loud and disturbing and remains within national and local environmental acceptable limits. Moreover, our factory site is located in an industrial zone, and no residents are staying nearby. As such, the emitted noises do not cause significant noise pollution to the surrounding environment and to the local residents.

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Same as the last 3 years, we did not receive any complaints related to noise emission in this 2025 Reporting Period. We are confident that we will continue to have zero complaints in this noise pollution aspect in the coming year.

(v) ***Light Pollution Emission***

As reported in our ESG report for 2024 Reporting Period, since all our manufacturing activities and operations are conducted inside the factory and offices, no significant light pollution is created. We have complied with all the requirements of light installation and emission, and no light pollution is caused.

In the 2025 Reporting Period, same as the last 3 years, there were no complaints or warning notices related to light emission. We are again confident that we will continue to have a clean and good record in the coming year.

(vi) ***Mitigation Measures and Reduction Initiatives***

The Group's manufacturing and sale operations and activities do not generate any significant hazardous and non-hazardous emissions and discharges. As a responsible corporation, we are conscious of the effects of our operations and activities may have on the environment and constantly work on maximizing energy efficiency and minimizing emissions, wastes generation, disposal and discharges. We fully comply with all applicable environmental laws, rules and regulations and industrial standards in the markets.

Emissions

The Group continued to actively promote energy saving and carbon reduction projects. Given the straight-forward and simple manufacturing and office operations of the Group, controlling and limiting the consumption of electricity is in our view the biggest achievable target in this area. Electricity consumption is more or less directly proportionated to our production scale in the main and there is not much room for large scale improvements. The Group, however, is committed to making savings. The Group is contemplating to record and compare the electricity consumption of the production factory and offices on a monthly basis as a monitor. All employees were constantly reminded to use electricity wisely. In addition, other up-to-date energy saving measures and devices will be looked into by the ESG Manager in all areas of the Group's operation. They include use of energy saving devices, minimizing use of electricity by administrative measures in conjunction with education and promotional programmes. With a reduction in electricity consumption, the indirect CO₂ emissions will automatically be reduced.

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Water consumption and discharge

On conserving fresh water and other natural resources especially on paper and packaging materials consumptions, we have encouraged economical and recycling use of resources to reduce wastes generation and to prevent resource wastage. In response to the stakeholders' concerns for the safety and sanitation management of drinking water for the employees and the concerns of the international sustainable trend about water resources, the Group's water resource management policy aims at gradually increasing the reuse rate of water resources in the factories and avoiding excessive consumption of natural water resources in the medium to long term, in addition to ensuring that water provided meets the specified water quality standards, and that processing of discharged water is in compliance with the local discharge regulations.

Use of natural resources and waste disposal

In response to the stakeholders' concerns for the use or activities of natural resources and waste disposal, the Group has conducted the procurement management of raw materials, the Group not only requires material suppliers to provide relevant material inspection and commitment for zero use of prohibited and restricted substances, but also conducted sample tests for specific materials to ensure that the quality meets the requirement. In addition, waste management strategy of the Group's factory and offices focus on the legal clearance, removal and disposal, and reduction and reuse of wastes. The clearance, removal and disposal of all the wastes must be carried out by government-certified service providers according to local laws and regulations.

To effectively control electricity, water and natural resources consumption, the Group has implemented the most basic measures and policies, apart from alerting and educating the staff and workers on water, energy and natural resources consumption, appointed officers to regularly inspect our factory, dormitories and offices to ensure that (i) fresh water is not wasted and used reasonably and (ii) power is turned off when work is not being carried out, use of natural ventilation to replace air-conditioning in allowable conditions. We fully comply with all applicable environmental laws, rules and regulations and industrial standards in the markets.

A2. Use of Resources Aspect

The production and business operations of the Group do not entail a large variety of raw materials and resources. Ready to use fabric is our main production material and electricity is the principal resource required. A relatively small amount of water is used incident to our apparel production. The major water consumption lies in the dormitories of the employees for their general household uses like bathing and toilet flushing. While recognizing the need for resource conservation, the Group is also mindful of the needs of the employees for their health and hygiene purposes. We have a good balance to strike and therefore, the policy of the Group is pretty simple and straight forward in this regard.

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There are a few small scale standby power generators in the factory which are meant to be put into use when a sudden power failure of the city supply occurs. Given the improving city supply reliability in recent years, the need for the standby generators declines and becomes insignificant. There is therefore a small amount of diesel fuel consumption in this regard, but the amount is insignificant and immaterial in comparison to electricity. Moreover, this energy resource is for standby use and there is little that the Group can determine to increase or decrease its consumption.

Although our operations and activities do not create significant impacts to the environment, the Group is committed to acting responsibly and aiming at minimizing such impacts to the environment and at the same time with cost saving as a bonus. The Group attaches great importance to promoting resource conservation in electricity, fresh water, papers and packaging materials. There are supervisory programmes on resource conservation instigated. Responsible officers are appointed to inspect factories, dormitories and offices to ensure that water, electricity and paper and other raw materials are efficiently used.

Same as the last 3 years, the Group did not find any abnormal or excessive uses of resources including electricity and diesel, fresh water, paper and packaging materials which were all within our internal control targets. Given our patience of education, promotion and management, the Group is confident that we continue to have no abnormal uses or wastage of electricity, water, paper and packaging materials in the coming year.

(i) Direct and Indirect Electricity and Fuel Consumption

Electricity is the only energy resource consumed for its manufacturing, offices and dormitories. Other energy resources like gas for heating are only very small in amount in comparison and immaterial in our view. The Group only sources electricity from the city grid. To save operational costs and to improve our environmentally friendly footprint, the Group has implemented measures as mentioned before to reduce energy consumption.

During the 2025 Reporting Period, the electricity consumption of our offices and production factory were 221,693 kWh and 1,519,363 kWh respectively as compared with 225,823 kWh and 1,656,958 kWh in the 2024 Reporting Period. The figures generally reflected a normal rate of consumption same as with previous years and do not have a cause for alarm. The figures recorded a decrease of 141,725 kWh or approximately 7.53% over 2024 on the electricity consumption in 2025. For 2025 Reporting Period, electricity consumption intensity was approximately 8,793.21 kWh per employee.

For the coming year, we will continue to encourage and monitor our employees on energy saving practices, and target to lower the electricity consumption by 2-3%.

(ii) Water Consumption

Same as before, there are 2 main sources in which water is used in the Group. Water is only incidental in the production process as there is no bleaching or dyeing carried out. The main consumption is for employee quarters household use. All the fresh water supply is from the central water supply network which is reliable and without any problem.

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To save cost and conserve fresh water, the Group has encouraged our staff and workers to efficiently use fresh water as it is one of the most important scarce resources of today's world. We have appointed supervising staff to regularly inspect the kitchens, bathrooms and toilets, to ensure all facilities are in good condition and that all the water taps have been turned off when they are not in use, and to check and to immediately remediate any water leakage.

During the 2025 Reporting Period, same as the last 3 years, we did not find any abnormal or wastage uses of fresh water.

For the coming year, we will continue to encourage our employees to save water consumption with a target to reduce 1-2% water consumption.

(iii) ***Paper and Packaging Materials and other Raw Materials Consumption***

To save operational costs and improve our environmentally friendly footprint, the Group continues to implement the following measures to reduce paper and packaging materials consumption reduction:

- Applying computer technology such as storage of documents in electronic version, online signature system for document, review and signing, communications via emails and messages to replace paper consumption;
- Encouraging staff to use both sides and recycled paper, reuse stationery such as envelopes and document folders, and reduce the frequency of printing and/or copying; and
- Recycled paper has been sourced and directly used for our garments and apparels packaging.

During the 2025 Reporting Period, we used a total of 150 boxes (1.88 tonnes) of paper during our operations, and decrease of 60 boxes or approximately 28.57% compared to 210 boxes used in 2024 Reporting Period.

As an apparel manufacturer, we use a substantial quantities of natural and synthetic fibers, such as cotton, jute and nylon. The Group is conscious of the environmental effects of the raw materials chosen and, as a guiding principle, we have always encouraged our designers to choose and design with environmentally friendly garments which use natural fibers.

For the coming year, we target to reduce the overall group paper consumption by 2-3% through the initiatives.

A3. Environment and Natural Resources

As reviewed above, we have not polluted the air, water and land in the areas that we are operating. As a dedicated operator who has keen interest in the environment and natural resources, the Group ensures that such a belief is well implemented in our business operation and in particular the production processes and products. We have complied with all the national and local environmental laws, rules and regulations, and industry standards, and at the same time have implemented measures to reduce energy, fresh water, paper and packaging materials consumptions.

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In our manufacturing process, we used to use plastic and paper to pack our garments and apparels. The management has already instructed the design team to source and use recycled paper and to reduce plastic materials for packaging.

Given the nature of our clothing products, a substantial quantity of natural and synthetic fibers, such as cotton, jute and nylon are used. The Group is conscious of the environmental impacts of the raw materials chosen for our final products. Designers and production personnel have been instructed to design with environmentally friendly garments and apparels by using natural fibers as far as the products allow.

We have also promoted environmental education and advocacy amongst our employees with a purpose to motivating environmental friendly behavior across our organization. The management is aware that conservation and monitoring of its resources as a continuing practice will show benefits over time.

A4. Climate Related Disclosure

(i) Governance

The Group understands that stakeholders expect us to be managing and mitigating climate change risks in line with local and global commitments and recommendations. After communication with the stakeholders and reviewing of the Group's operations and activities in light with the current global environmental conditions, the Board identifies that global warming and reduction on the use paper and paper related packaging materials will be the most significant climatic issues that may impact the Group. These two climatic issues not only affect the operation costs of the Group, they will also affect the global environmental conditions.

It also is generally agreed that global warming is mainly caused by the excessive release of CO₂ into the atmosphere, which is directly and indirectly the result of uses of fossil fuels for transportation and electricity generation.

For 2025 Reporting Period, although the Group's operations and activities did not directly generate any CO₂ emission, we did generate CO₂ indirectly through the use of electricity. Faced with the global climate change risks and the international trend and challenge of reducing greenhouse gas emissions, as well as the possible hike of energy consumption caused by the introduction of manufacturing processes such as automation and technology garment making, the Group deeply understands the needs to cooperate with the overall industry and its upstream and downstream supply chain, to align with the national policies of each region, and to discuss with brand customers and supply chain manufacturers about the new manufacturing process technology for sustainable production, as well as new opportunities for energy conservation and carbon reduction. We have implemented policies and measures to use electricity efficiently to reduce indirect CO₂ emission, which is a main contributor of global warming. Through reduction on usage of paper or paper-related packaging materials, we wish to indirectly reduce the cutting of trees, which will directly assist on curbing global warming as well.

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As the world transitions toward a lower-carbon sustainable economy, there are inevitable areas that our Group can contribute to this. After discussions with our stakeholders, we have identified energy and water as immediate areas that we can tackle to both combat climate change and reduce potential costs in the future.

Management's Role:

1. Oversight of climate-related risks and opportunities is managed directly by the Board. The Chief Executive Officer (“**CEO**”) holds the overall responsibility for ensuring that the strategies and policies set by the Board are effectively implemented across the organization.
2. The Board is also responsible for the development of appropriate skills and competencies through training programs, professional development opportunities, and assessments of current capabilities. This ensures that the board members and relevant personnel are well-equipped to oversee and address climate-related risks and opportunities.
3. The Management Team, led by the Chief Operating Officer (“**COO**”), plays a critical role in the governance of climate-related risks and opportunities. The Management Team is responsible for examining and addressing climate related risks and opportunities, and day to day implementation of policies set by the Board.
4. The Group utilizes various controls and procedures, such as internal audits, performance reviews, and sustainability reporting, to support the oversight of climate-related risks and opportunities. These controls and procedures are integrated with other internal functions, such as finance, operations, and human resources, to ensure a cohesive approach to sustainability.

(ii) *Strategy*

We strive to understand the impacts brought by climate change to our business operations and thus continuously seek to advance the relevant studies, as well as our action plans and mitigation measures. Subject to the on-going development of our climate-related risk assessment and management practices, we will further study the feasibility and practicality of integrating the financial impacts of climate-related risk and other sustainability issues into our financial planning at the corporate and project levels.

Physical Acute Risk

The Group has identified extreme weather such as typhoons, heavy rain, thunder and lightning and flooding that can cause physical acute risk. The potential consequences include delivery or shipment delay as well as damage to documents, equipment and even employees' health and life. The above potential consequences will cause economic losses to and increase operating costs of the Group.

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The Group has established different measures as below to prevent and minimize the negative effect of extreme weather.

Physical Acute Risk	
Extreme weather	Preventative and mitigation measures
Typhoons	– Attach duct tapes to windows to avoid damage – Move equipment to safety areas in advance – Reinforce equipment and components that may be blown away – Inform and negotiate with clients and third-party suppliers of potential delays in advance – Arrange work from home for staff according to the guidelines of local observatory
Heavy Rain and Flooding	– Check that all windows are shut as secure as possible – Reinforce equipment and assets which may be damaged or blown away – Arrange work from home for staff according to the guidelines of local observatory
Thunder and Lightning	– Keep good conditions of earthing devices – Remind employees to save data and turn off computers

Physical Chronic Risk

The Group has identified extreme weather such as sustained high temperature during the year could cause physical chronic risk. The potential consequences include a higher chance of getting heatstroke for employees, increasing turnover rate and work-related injuries. The demand for cooling for the working environment will be increased, which may lead to an increase in power demand and operating costs of the Group.

The Group has established different measures as below to prevent and minimize the negative effects of extreme weather.

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Physical Chronic Risk	
Extreme weather	Preventative and mitigation measures
Sustained high temperature	– Keep a First-aid kit convenient – Keep cold water available 24 hours a day

Climate-related Transition Risk

Transition risk	Risk description	Potential Business Impact	Mitigation Measures
Legal and policy risk	Local governments may enforce stricter carbon emission reduction policies, potentially raising the carbon emission costs for enterprises' production and operations. This includes changes to government policies, laws, and regulations, such as carbon pricing and renewable electricity pricing.	– Increase operation cost and potential for litigation.	– Regular review of relevant legislation. – Set up near term target to demonstrate the Group's decarbonization effort.
Technology Risk	Technological improvements that support the transition to a lower-carbon system.	– Failing to upgrade to more efficient, sustainable, or automated technologies could result in higher operation costs and reduced competitiveness.	– Explore new technologies, sustainable materials, and techniques. – Adapt to changes in the cost and availability of raw materials and utilities like renewable electricity, water, and gas, including the relevant costs of securing and maintaining sufficient supply.

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Transition risk	Risk description	Potential Business Impact	Mitigation Measures
Market and reputation risk	Customers have increasingly strict requirements for carbon emission management of their suppliers, while the decarbonization of products and services may become an important standard for customers to choose from. Products or services that are not low-carbon may lead to a decrease in demand. There are stricter requirements for transparent carbon emissions information, and enterprises need to increase investment in the management of related performance. Poor performance in climate information disclosure may lead to reputation damage, declined stock price, or difficulties in financing.	– There will be a risk of a decline in sales and reputation if end-user is getting more prefer on environmentally friendly products or services and we do not have these options for our customers.	– Expand the product or services range to cater to a broader audience and adapt to changing customer preferences, including eco-friendly and ethically produced lines to attract environmentally conscious consumers. – Obtain environmental related certifications like to demonstrate commitment to sustainability.

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Climate-related Opportunities

The Group recognizes that climate change not only presents a range of physical and transitional risks, but also provides emerging opportunities for our businesses. Measures such as improving energy efficiency, increasing the utilization of renewable energy, transitioning to sustainable resource management practices, and adopting green and low-carbon technologies have not only resulted in direct cost savings but also a reduction in energy expenses.

Looking ahead, we anticipate the opportunities that will arise from long-term regulatory frameworks and carbon trading. These mechanisms will enable us to explore alternative approaches to combat climate change, leveraging sustainable financial instruments. As the global economy transitions towards carbon neutrality, we remain committed to assessing and managing the climate-related risks and opportunities associated with our business.

(iii) Risk Management

We have updated the assessment methodology through a climate scenario analysis to reassess climate risks and opportunities across our operations in the PRC under two consolidated scenarios in accordance with Task Force on Climate-related Financial Disclosure (“**TCFD**”) recommendations. The two consolidated climate scenarios are constructed based on public available scenarios which include Intergovernmental Panel on Climate Change (“**IPCC**”), International Energy Agency (“**IEA**”) and Network for Greening the Financial System (“**NGFS**”). Based on the revaluation of our climate risk assessment results, we have updated our mitigation measures across various operational area. The following outlines the scenarios and assumptions employed during our climate risk assessment.

Consolidated Scenario	Brown Scenario	Turquoise Scenario
Timeframe	Short-term – till 2030 Medium to long-term – till 2100	
Global Mean Temperature	Global mean temperature rises of above 3°C by 2100	Global mean temperature rises of 1.5 to 2°C by 2100
Scenario Description	The scenario represents the future that only current policies and nationally determined contribution are implemented with limited investments and climate actions to decarbonize. This would usually lead to high level of physical risk and low level of transition risk.	The scenario represents the future that stringent and immediate policies will be implemented by the companies that are actively committed to climate action goals. This would usually result in high level of transition risks and low level of physical risks.

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By gaining insight into the significant climate risks that affect our business across our value chain, we can develop effective strategies and measures to manage these risks and mitigate their financial and non-financial impacts. Within our framework, we acknowledge climate change as a strategic business risk and have integrated climate-related risks and opportunities into our overall business strategy. Our objective is to enhance long-term resilience by comprehensively assessing, managing, and monitoring climate risks that may impact our operations.

(iv) *Metrics and Targets*

We strive to effectively manage and evaluate the risks and opportunities arising from climate change. Throughout the 2025 Reporting Period, we maintained continuous monitoring of key metrics, specifically GHG emissions, which serve as indicators of climate-related risks. These targets aim to reduce overall GHG emissions and electricity consumption.

Greenhouse Gas Emissions

Greenhouse gases (GHG) include CO₂ and its non-hazardous equivalents including nitrous oxide and methane (collectively with CO₂, “CO₂e”). Greenhouse gas emissions comprise Scope 1 direct emissions, which is direct emissions from the fuel combustion, and Scope 2 energy indirect emissions, which is emissions resulting from the use of purchased electricity.

As explained in aforementioned, the Group’s operations and activities did not directly generate any CO₂e emission and no Scope 1 direct emissions reported herein.

The table below recorded and compared the 2025 Reporting Period and the 2024 Reporting Period’s greenhouse gas emissions:

Greenhouse Gas Emission <i>Note (1)</i>	Unit	Year ended 31 December		
		2025	2024	Changes
Scope 1 (CO ₂ e)	Tonnes	N/A	N/A	N/A
Scope 2 (CO ₂ e)	Tonnes	924.50	1,011.05	–8.56%
Intensity				
– CO ₂ e/employee <i>Note (2)</i>		4.67	3.37	+38.58%

Note 1: Emission factors for calculations in this ESG Report were made reference to the “How to prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs (version updated on 31 December 2024)” by The Stock Exchange of Hong Kong Limited, unless otherwise specified.

Note 2: Only includes employees located in the PRC.

Our Group is dedicated to reduce GHG emissions. To achieve this goal, our Group has set out some ground rules of using elasticities.

We target to reduce the greenhouse gas emission by 1–2% in the coming year through monitoring our employees’ energy saving practices.

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Energy

During the 2025 Reporting Period, the Group generated indirect greenhouse gas – CO₂ emissions, through the uses of electricity. As explained previously, we have implemented policies and procedures to reduce the use of electricity across our organization and we will continue to invest in new more energy efficient manufacturing equipment and processes in the near future.

Water

Water is used both in our production process and by our employees in their dormitories. The Group has taken measures to encourage employees to more efficiently use water in order to reduce its consumption.

Logistics

In line with our climate change strategy, the carbon footprint and sustainability of suppliers is an important consideration and we are actively seeking logistics partners that utilize electric vehicles or close equivalents to minimize their own carbon footprint where possible.

For the 2025 Reporting Period, the Group's business operations and activities, except for the above three aspects, did not lead to any events or issues that might impact the climate or result in the change of the climate significantly. The Group also has already taken measures to lower indirect CO₂ emissions and freshwater consumption for the coming year.

(B) SOCIAL AREAS AND ASPECTS

It is the belief and recognition of the Group that a harmonious relationship with our other stakeholders like employees, business partners, government officials, customers and suppliers will bring about more overall mutual benefits to every party including the society as a whole. This rationale and idea together with transparency, mutual respect and honesty are the corner stone of our business philosophy and have been an integral part of our business operation.

Pursuant to ESG Reporting Code, social aspects include "Employment and Labour Practices" and "Operation Practices", which are reported below:

(i) Employment and Labour Practices Areas

The Group continues to hold the belief that employees are important assets and our success depends on the commitment, passion, productivity and quality of our employees. The Group has planned a holistic approach of recruitment, employment, training and retention of employees. Team events are organized to build the employees' sense of belonging, as well as to increase the employees' understanding of the Group. In addition, the Group has ensured that all the human resource policies and measures made are in accordance with all the relevant statutory requirements in the Labour Law of the PRC (中華人民共和國勞動法) and other applicable laws and regulations in the PRC, and the Hong Kong Employment Ordinance. Abiding by the law is the bottom line of our operating guiding principle which is to be observed and followed by all levels. Our human resources policies and measures are also clear, equitable and humanistic, and have committed to create a safe and pleasant working environment for all of the employees. The Employees' Handbook and employment contract contain clear provisions that no discrimination on gender, religion, race and marital status in our operation activities including but not limited to employment terms, promotion and welfare benefits.

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The performance management system has been introduced to effectively motivate the employees to engage in continuous development, to help the employees in career planning, and to achieve succession of talents and the Group's objective of sustainable operation. The Group is also committed to providing the employees with an equal, safe and healthy work environment, complying with the local laws and regulations, as well as fostering labor harmony and building a high quality enterprise.

Same as before, the Human Resources Department is charged with the duty and responsibility of all employment and employee welfare matters. Recruitment and appointment are based on objective merits. Qualified employees are offered the appointment with competitive wages and benefits commensurate with the market rate. Where necessary and required, training and promotion are provided. Position openings stipulating with jobs requirements are offered in the open market or through employment agencies. The selection process has been standardized and positions will be offered after background checks, tests and interviews as necessary by our human resources department. Recruitment of all employees is carried out by the Human Resources Department except that senior managers are decided by the CEO of the Group. It should be noted that, many of our positions are offered to low-skilled or semi-skilled female rural workers who need extensive in-house training on their work. Our policy is to try to provide a career path to enhance their sense of belonging.

For 2025 Reporting Period, the Group honored all of our employment and labour welfare obligations. All benefits, salaries and wages, employees' social insurance and other contractual benefits accrued or due are timely settled and paid out. Same as in previous years, no labor disputes were recorded in court.

B1. Employment Aspect

(i) *Employment Mix*

As at 31 December 2025, the Group employed a total of 200 full-time employees, and same as last year, no part-time employees were hired. Further analysis of the Group's employment situations for 2025 Reporting Period and comparison with 2024 Reporting Period are summarised below:

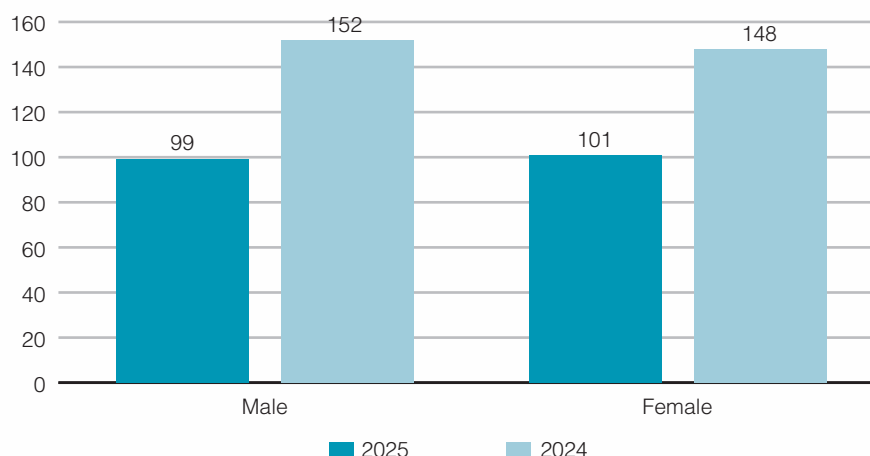


Figure 1: Employee mix by Gender

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

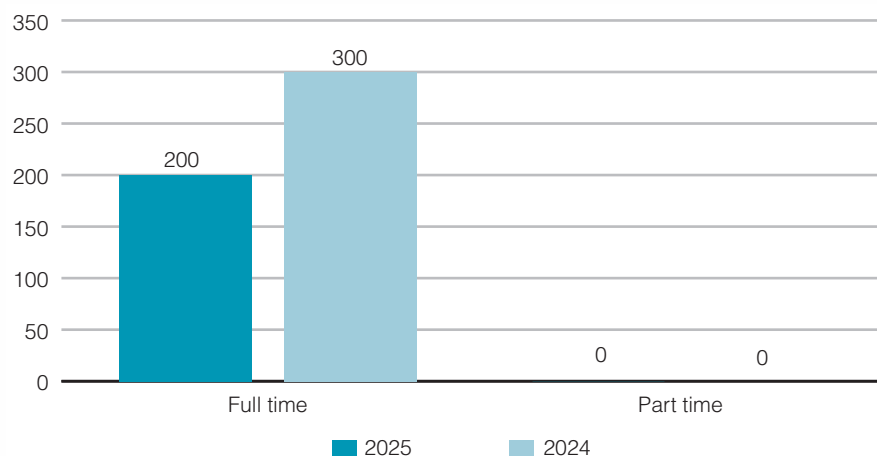


Figure 2: Number of Employees by Employment Type

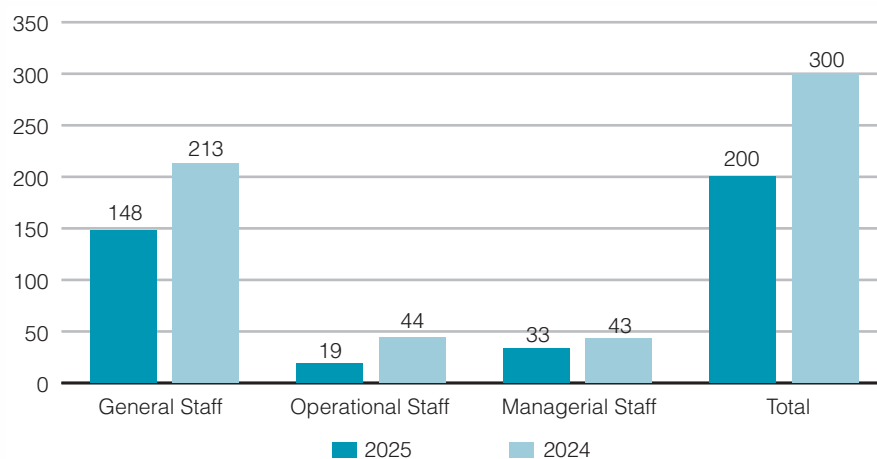


Figure 3: Number of Employees by Role

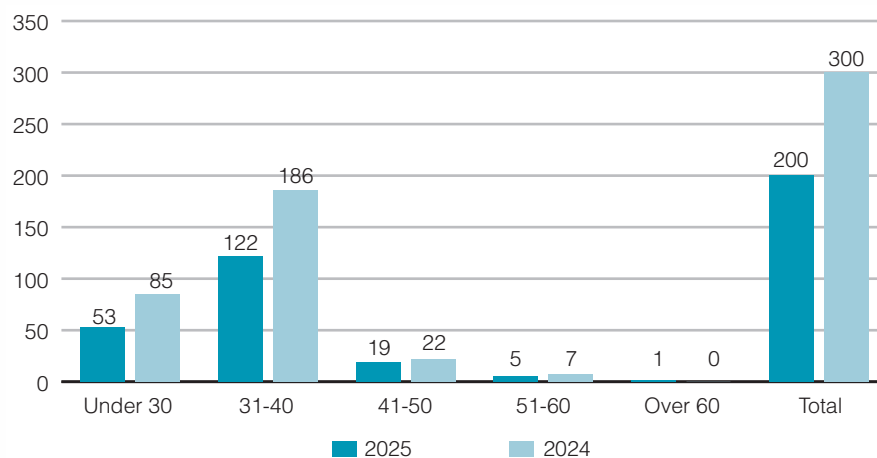


Figure 4: Number of Employees by Age

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

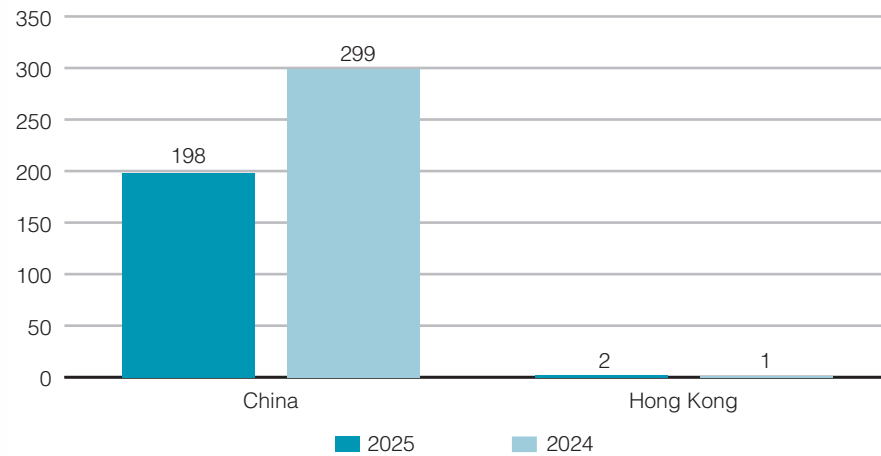


Figure 5: Number of Employees by Geographical Region

(ii) **Employment Turnover Rates**

For the 2025 Reporting Period, 120 of the Group's employees left voluntarily for career development. A breakdown of the turnover rates by gender and age is stipulated below:

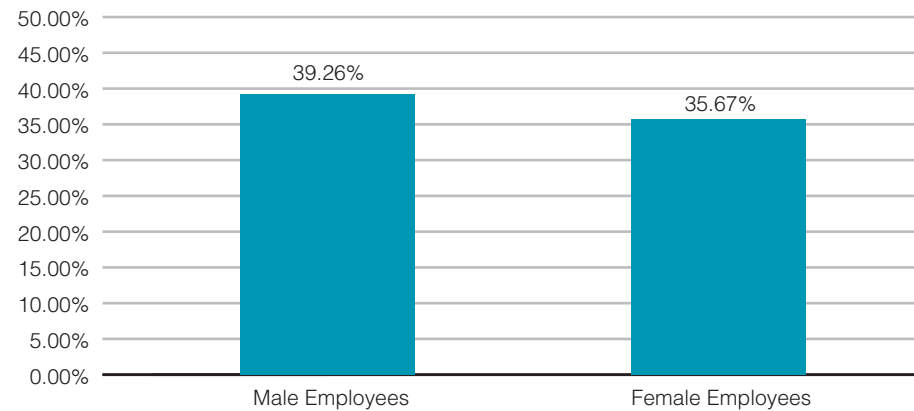


Figure 6: Employment Turnover Rate by Gender

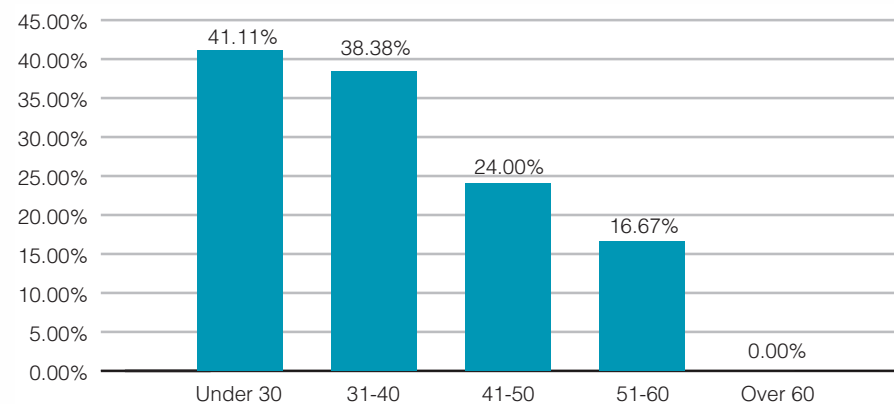


Figure 7: Employment Turnover Rate by Age

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

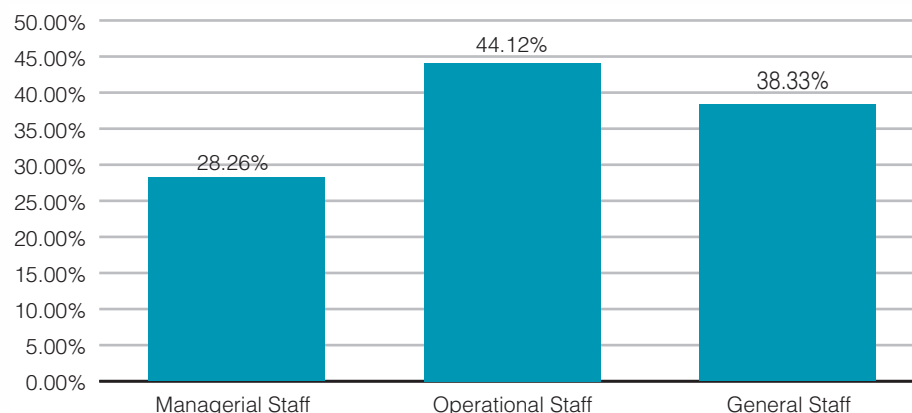


Figure 8: Employment Turnover Rate by Role

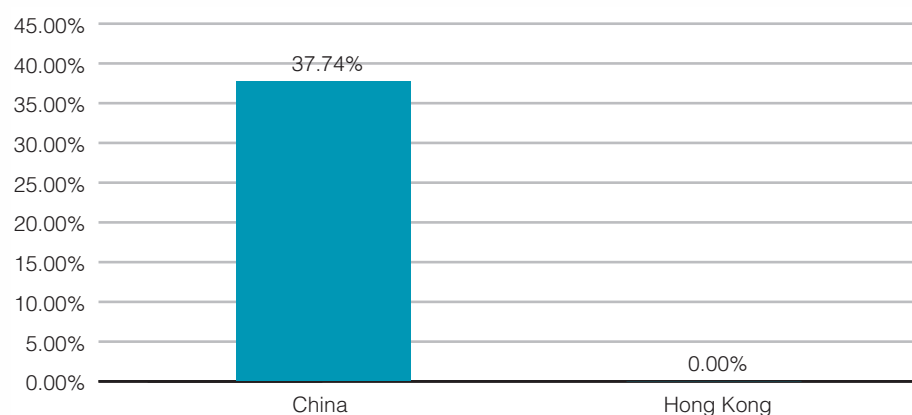


Figure 9: Employment Turnover Rate by Geographical Region

(iii) *Employee Compensation and Package*

The Group continues to strictly comply with the relevant laws and regulations of the “Labor Law of the PRC” and “Employment Ordinances of the HKSAR” and has totally forbidden the recruitment of child labor and forced labor. All employees are required to sign contracts containing detailed terms and conditions including but not limited to the amount of salaries and wages, benefits, medical and accidental insurances, unemployment funds, working hours, employee rights to join trade unions and have holidays and such contracts are filed with the local Human Resource Bureau.

We paid competitive market salaries and wages to our employees, and for special talented, skilled and qualified employees, we remunerated them either by offering higher than market salaries and wages or additional benefits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the requirements of the laws of the PRC and the HKSAR, where appropriate, the Group provided and maintained statutory benefits to all qualified employees, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays.

For the 2025 Reporting Period, same as 2024 Reporting Period, the Group did not have any employment related legal disputes on record.

B2. Health and Safety Aspect

Though the nature of business and production operation of the Group is not considered to be high risk in nature, the Group however attaches no less concern and importance to the health and safety of the workplace and living quarters.

Caring of and concern for our staff and employees are the primary objective in our employer responsibilities. The Group reckons that staff and employees are a valuable asset and are instrumental to our sustainable development and success.

The Group has committed to providing a healthy and safe working and living environment in the workplace and employee quarters. For the purpose of preventing accidents and injuries to the employees, the Group has taken steps to ensure that all the plants and equipment in the factory are safe for its intended use with proper repair and maintenance. In addition, safety training and supervision are provided to ensure that work can be carried out without risk and injuries. Emergency plans have been in place to respond to general emergencies of various nature and scale.

Work safety instructions and guidelines are provided in the Employee Handbook to accomplish safe operation and all employees are required to observe the safety rules of the workplace. Supervisors at different levels have a responsibility to ensure that safety rules and regulations are adhered to and complied with. Safety information and instructions are integrated with day-to-day instructions, trainings and guidance. All employees are required to report any risk spotted to their superiors immediately, who will then take appropriate measures to ensure that safety is not being compromised. All work-related accidents are required to be reported to the immediate supervisor for investigation or appropriate remedial actions to be taken or to remove the risk.

As a rule of thumb and guiding principle, the applicable standards in the relevant National Safety Laws and Codes of Safety in PRC are the ones that the Group must adopt and adhere to in our business operations. Strict compliance of such standards and guidelines is a must and is our safety bottom line.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the 2025 Reporting Period, with no complacency, the Group is proud to confirm that there had no work-related fatality in the past 3 years including the 2025 Reporting Period. Furthermore, during the 2025 Reporting Period, same as the 2024 Reporting Period, zero lost day due to work-related injuries was recorded. It should be noted that this is due, in our view, mainly to the relatively low risk of our business operation and the safety consciousness of the Group at all levels. For the coming year, the Group will work hard to maintain zero fatality and injury record.

B3. Development and Training Aspect

The Group recognizes the value and contribution of our employees and is committed to investing in staff training and development.

The Group achieves its goals of training and development through systematic frameworks and methods, constantly upgrades the quality of manpower and expertise, motivates employees' job enthusiasm and encourages them to welcome challenges, thereby creating greater corporate value, achieving operational goals and planning for future development. To achieve the policies and goals of the Group's training and development, it is necessary to consider not only the Group's business vision and objectives but also the assessment of employees' performance and achievements, capability deficiencies, as well as personal development plans.

Given the fact that most of our factory employees come from rural areas with little or no prior production skills, the Group instigates a vocational training policy for new production employees. They will receive 1 to 3 months on-the-job training under the guidance and supervision of their supervisors.

The Group also continues to arrange senior managers or professionals to provide technical and occupational advice and guidance and short-term training to junior staff. Staff members are also sponsored to attend external training programs relevant to their work to improve their skills and knowledge. This is a way to broaden their career development.

These training programs include production safety, fire-prevention, sales and marketing and division management. The level and content of training are considered suitable and adequate for operational needs and comparable to previous years. New topics will be introduced where considered necessary by the operations departments.

The Group aims to provide training for its employees as to retain talent and provide an opportunity of growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4. Labour Standards Aspect

The national labour protection laws and standards are the minimum safety standard of the Group. The “Labour Law of the PRC” and “Employment Ordinances of the HKSAR” are the two major labor safety protection laws applicable to the business operations of the Group. Though the Group does not see any major impact to our business operation, we however attach great importance and attention to ensure our obligations are fully and timely carried out. Strict compliance of the legislative requirements is our bottom line and guiding principle of our business operations. Any breach of such national laws will be brought to the attention of the senior management and attended to without delay.

We uphold the principle of equal pay for the same position regardless of gender, race, religion, political affiliation, sexual orientation or marital status of the employees. The remuneration of an employee will be determined with reference to his/her educational background, experience, job duties, professional skills and technical capacities, the salary levels in the industry as well as market conditions. The basis of reward and promotion depends on an employee’s work attitude, demonstration of professional ability and overall performance. The Group also reviews the remuneration policies regularly to make sure our salary standards are competitive.

The performance management system is introduced to assess an individual employee’s performance, the results of which will be used as the basis for salary adjustment and job promotion, thus helping the recruitment and retention of well-performed employees.

Furthermore, the Group believes that honest and sincere mutual communication between staff and management are constructive and effective in enhancing and improving work safety. Measures and policies have already been in place to encourage open dialogue on work safety in a regular and ongoing manner. Employee representatives have been invited to take part in regular work safety meetings to contribute ideas and suggestions in areas like working conditions, health and safety and employment terms and conditions.

All recruitments are done after the proper certificates and documents are provided and documented in the Human Resources Department. Private files of employees are kept on confidential basis and only available for inspection with the approval of the authorized officer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has also committed to a no child labour and forced labour employment policy. The role and responsibilities of the Human Resources Department are to ensure that such infringements are not and should not be committed as a first line of upholding this policy. The department will be held responsible for any breaches found and the relevant officer will be subject to severe action taken against him or her. All enquiries, concerns, complaints in this regard will be referred to and investigated by the senior management.

For the 2025 Reporting Period, same as 2024 Reporting Period, the Group honored all its obligations towards the employees and has built a safe, healthy, harmonious and pleasant working environment in all our offices, and no labor disputes or litigations was reported.

(ii) Operation Practices Areas

B5. Supply Chain Management Aspect

Supply chain management in the ESG Reporting Code mainly refers to the management of sourcing and procurement. The Group mainly procures raw and packaging materials including clothing fabrics and accessories to produce apparel for factory production and printing papers and office utensils for offices uses. The Group has connected the upstream and downstream of the apparel manufacturing industry, covering relevant areas in machineries, chemical engineering and materials to form a complete supply chain system of the Group. By focusing on local and flexible supply, we expect to shorten our delivery time and respond quickly to the market demand, thereby enhancing brand reputation and customer satisfaction.

Over the years, the Group has already developed a matured set of procurement policy and a standardized procurement process. Given a relatively simple business operation nature of the Group, the Group maintains a list of suppliers. For any purchases, 2 to 3 suppliers are invited to provide quotations for our selection and decision. Suppliers are selected on a set of criteria, which includes (i) ability to meet specification and standards; (ii) products and services quality; (iii) pricing; (iv) delivery reliability; (v) track records of the suppliers' business relationships with us and others in the industry; and (vi) their law compliance record.

One unique feature in our purchase policy is that we have tried to integrate social responsibility into our purchase process. We provide preferential status to local suppliers who show support and involvement in environmentally friendly and socially responsible practices and programmes. The Group prefers suppliers who use recyclable and natural materials and employ handicapped workers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Same as last year, we source our raw materials and accessories from local supplies. This directly reduces the carbon footprint involved and carbon dioxide emission. During the 2025 Reporting Period, all purchases were made with 29 (2024: 15) local suppliers which are the suppliers based in the same geographical market (the PRC) as the Group.

The choice and selection of a supplier for a certain purchase order followed the purchase criteria as mentioned above. Normally, a decision is arrived at after examining and weighing the various selection criteria. In general, no single value or criterion will be overriding. In some rare cases, however, some criteria, for example the availability at short notice, may become overriding and is judged and handled on a case-by-case basis.

As can be seen, social risks of a supplier are also part of our selection criteria and consideration. When a supplier is found seriously fall foul of the law, it will be removed from the supply chain and new ones will be sourced and established. Admittedly, the Group will have to rely on public information in the main or other trade sources. We rely on the quality of our end products to ensure that raw materials or accessories measure up to our specification and standard.

The product policy of the Group is to promote and manufacture children and infant apparels using natural and safe materials which are environmentally friendly and without risk to the end users. Obviously and naturally, this becomes an overriding and guiding principle in selecting preferable products and services. Materials and accessories failing to safety to our specification and requirements are rejected and declined automatically in the selection process.

B6. Product Responsibility Aspect

There are five major aspects to our Group's product responsibility policies and practices: product quality and safety, quality assurance, customer services and complaints handling, intellectual property rights, and customer data and privacy.

The Group continues to design, manufacture and sell middle to higher end apparel via distributors across China. Together with our investment in modern production facilities, our professional design and management team, and the business and operation philosophies of "original, modern and fashionable on design", "quality of production" and "fairness and honesty on sales", it is our cornerstone sale policy that we assure the buyers to pay for guaranteed quality products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Quality and Safety

The Group continues with its “quality guarantee policy” and takes all reasonable steps to ensure that the goods we produced are safe and harmless to consumers, meet all agreed or legally required standards for consumer health and safety, including health warnings, product safety and information labels. We have employed controllers to examine the quality and safety of our products from the first stage of raw materials purchases to the final stage of sales and to regularly inspect goods at our production lines and sales outlets to ensure that they are compliant with both internal and external quality assurance codes.

For the 2025 Reporting Period, same as the last 3 years, there were no record of major sales returns from buyers or complaints or warnings from the Consumer Councils or relevant government authorities on the quality and safety issues of our products.

Quality Assurance Process

As disclosed before, the Group attaches significant importance to the quality assurance aspect of our products as we firmly believe that this is the most important factor for the success of our brand name, the Group reputation and customer loyalty. The Group has invested substantially on modern production facilities, and our professional design and management team. The Group has obtained ISO9001 on Quality Management System and ISO14001 on Environmental Management System certifications, and won the following awards since our official establishment in 1995:

1995	Golden Bridge Award from China Textile Association
2000, 2006, 2009 & 2010	Fujian Famous Brand Award
2001, 2002 & 2005	Government Supported and Developed Famous Export Brand Award
2013	National Top-Quality Enterprise Award
2011, 2013 & 2016	Most Famous Kids Fashion Brands Award

We provide industry standard guarantee and instigate a policy for return and refund for product quality reasons. The customer service unit is charged to collect and analyze return and reject cases, and to provide recommendations to the management for improvement review and consideration.

Same as in previous years, we are proud that we had no major sales returns or complaints due to product defects during the 2025 Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Services and Complaints Handling

Same as the last few years, our products are sold through wholesale network. The Group provides industry standard guarantees and returns and refund programs if there are quality problems. A customer service unit has been established to collect and analyze returns and rejects cases, and thereafter will explain and give recommendations to the management for improvement review and consideration.

The Group is proud to confirm that there were no major sales returns or complaints due to any product defects during the 2025 Reporting Period, same as the last 3 years.

Intellectual Property Rights

Since our establishment, the Group has designed, manufactured and sold children apparel under its trademarked brand name “Red Kids”. We promote originality on all our apparel and design in-house. The Group attaches great importance to and seriousness in protecting and preserving our intellectual property rights. We have observed the rules for the protection of intellectual right. The Group will continue to enhance the production optimization capabilities in various regions and continue to enhance the maximum flexibility in production configuration in line with the requirements of orders from brand customers and changes in the industry environment.

During the 2025 Reporting Period, and same as last few years, the Group did not receive any reports or cases of any intellectual property rights infringement.

Privacy

Arising from the Group's business operations, large volumes of private and confidential and sensitive information of suppliers, co-operation partners including the cooperation status, financial positions and commercial terms of contracts are inevitably kept by the Group. The Group is fully aware that such information is extremely sensitive and important, and by law must be safeguarded.

The Group is fully aware of our obligations and has taken measures to ensure the safe custody of such information. Potential leakage or loss of information to outsiders could be mainly due to either internal theft through mishandling or hacking into our information systems by outside agents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established and implemented administrative security rules and supervisory control procedures to ensure maximum information technology security and data protection. This is supplemented by the relevant provisions in the Employee Handbook and employment contracts stipulating for the protection of information confidentiality. Employees are strictly prohibited from accessing to or release of confidential information without authorized approval from the management. Legal action might be taken against any breach of privacy data violations. To prevent hacking to our information technology systems, the Information Technology Division is charged with the duty and responsibility of continuously monitoring, maintaining and updating all hardware, software and for computer and network system security.

For the 2025 Reporting Period, same as the last 3 years, there was no case filed against us nor any complaint received, regarding any breach of relevant privacy laws, regulations and policies in the jurisdictions in which we operate. The Group will continue with the current policies and measures to maintain a clean record in the coming years.

B7. Anti-corruption Aspect

As an honest and creditable business operation, the Group attaches serious importance and concern in this aspect as any breaches may lead to serious consequences and liabilities to individual officers and office bearers of the Group. We rely on the strict administrative procedures and supervisory measures on this regard to ensure that such breaches or violations are eliminated or could be detected at an early stage before any serious harm is caused.

A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group is generally in compliance with the applicable laws and regulations that have a significant impact on the Group relating to the prevention of bribery, extortion, fraud and money laundering, including but not limited to:

- the Anti-unfair Competition Law of the PRC;
- the Criminal Law of the PRC;
- the General Provisions of the Civil Law of the PRC; and
- the Anti-money Laundering Law of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's "Work Rules" requires the employees to sign the "Code of Ethics and Integrity Pledge" and the "Confidentiality Undertaking" and to strictly adhere to the applicable laws and regulations relating to the above acts. Once an employee is found in breach of such, it is subject to severe disciplinary sanction including immediate dismissal. All matters relating to this aspect are only handled by the top management. The Group is committed to rendering all possible assistance and co-operation to the government or law enforcing agencies in their enquiry or investigation.

During the 2025 Reporting Period, there was no case on corrupt practice against the Group or our employees detected, same as the previous years. With our management, the Group is confident that corruption case will not happen.

Mutual respect, open and sincere dialogues between employees and the management are part of the culture of the Group. The periodic meetings between employee representatives are the common and formal venues to resolve employee needs, views, suggestions and even grievances. This mode of communication in a fair and earnest manner helps to streamline and minimize whistle-blowing. The Group encourages all whistle-blowing acts and activities and makes sure that there are sufficient protection of such whistle blowers. Messages received will be looked into by the management team at the appropriate level in a timely and impartial manner.

Staff are reminded from time to time of the importance of and need for business integrity and that corruption is not allowed in the Group operations. Whenever training opportunities arise, staff at the appropriate levels, including directors and senior managers, will be nominated to attend and this is an ongoing exercise.

(iii) Community Area

B8. Community Investment Aspect

As a responsible enterprise, the Group always insists to undertake its social obligations to support and to pay back to the local residents, community and environment. The Group fully supports this concern for the community idea and concept and our operating policies and business approach are taking note of its implications and significance to the communities we operate. If possible, we tried to source materials, supplies and services from our operating communities. We provided a pleasant and safe working environment to our workers, and most importantly we provided jobs to several hundred village unskilled workers and trained them up to make a decent living. We also provided them with the chances to promote to higher status jobs. We supported the local community through sending our workers to do voluntary and charity works.

CORPORATE GOVERNANCE REPORT

The Board hereby presents the Corporate Governance Report in the Group's annual report for the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. During FY2025, the Board comprised of three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During FY2025, the Company has complied with the CG Code, except for the deviation as explained below.

Code provision A.2.1 provides that the roles of Chairman and Chief executive should be separate and should not be performed by the same individual. As Mr. Ding Peiji ("**Mr. Ding**") is both the chief executive officer and the chairman of the Board of the Company, the Company is in deviation from code provision A.2.1. The Company considers that vesting the roles of both chairman and chief executive officer in Mr. Ding has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board composition and structure taking into account the background and experience of the Directors.

Code provision C.1.2 provides that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During FY2025, the management of the Company had not provided regular monthly updates to the members of the Board. The management had provided information and updates to the members of the Board as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during FY2025.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Securities Dealing Code when dealing in the Company's shares.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

CORPORATE GOVERNANCE REPORT

The Board currently comprises three executive Directors, namely Mr. Ding Peiji, Ms. Liu Min and Mr. Yu Jianjun, and three independent non-executive Directors, namely, Mr. Ng Shing Kin, Mr. Chen Jun and Mr. Guo Zheng.

Their biographical details and (where applicable) their family relationships are set out in the section headed “Biographical Details of Directors” on pages 61 to 62 of the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company’s website and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Board sets the Group’s overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group’s businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

All Board members have separate and independent access to the Group’s senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group’s expense upon their request. The Board reviews the implementation and effectiveness of such mechanism annually.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

The following person was appointed as Directors of the Company during the financial year ended 31 December 2024:

Mr. Yu Jianjun was appointed as an executive Director of the Company with effect from 28 June 2024.

After obtaining the legal advice referred to the Listing Rules, Mr. Yu confirmed that he understood his obligations as a director of the Company on 28 June 2024.

The director has given sufficient time and attention to the Group’s affairs. The Director has appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has an appropriate balance of skills and experience. The composition of the Board satisfies the requirements of Rules 3.09D of the Listing Rules. There are three independent non-executive Directors and at least one of them has accounting professional qualification. With more than one-third of the members of the Board are independent non-executive Directors, the Board has a fairly strong independence element in terms of its composition.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND ANNUAL GENERAL MEETING

The attendance of each Director at the Board meetings and annual general meeting are set out below:

Name of Directors	Annual General Meeting attendance/held	Board Meetings attendance/held
Mr. Ding Peiji	1/1	12/12
Ms. Liu Min	1/1	12/12
Mr. Yu Jianjun	1/1	12/12
Mr. Ng Shing Kin	1/1	12/12
Mr. Chen Jun	1/1	12/12
Mr. Guo Zheng	1/1	12/12
Mr. Ding Peiyuan (resigned on 30 September 2025)	1/1	9/9

DIRECTORS' AND OFFICERS' INSURANCE

Appropriate insurance coverage has been arranged in respect of potential legal actions against the Directors and officers of the Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

CORPORATE GOVERNANCE REPORT

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors by way of seminars or reading materials circularization to ensure compliance and enhance their awareness of good corporate governance practices. According to the records provided by the Directors, a summary of training received by the Directors during the year is as follows:

	Type of continuous professional development programmes
Directors	
Executive Directors	
Mr. Ding Peiji	A
Ms. Liu Min	A
Mr. Yu Jianjun	A
Independent Non-executive Directors	
Mr. Ng Shing Kin	A
Mr. Chen Jun	A
Mr. Guo Zheng	A

Note:

A: reviewing materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted confirmation of his/her independence to the Company pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board is supported by three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) **Audit Committee**

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Shing Kin, Mr. Chen Jun and Mr. Guo Zheng. Mr. Ng Shing Kin, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems and relationship with external auditors of the Group, oversee the audit process and perform other duties and such responsibilities as assigned by the Board. These include reviewing the Group's interim and annual reports.

The Audit Committee has held three meetings during the year ended 31 December 2025. Major tasks completed by the Audit Committee during the year include:

- reviewing the annual audit plan submitted by the external auditors of the Company;
- reviewing the Group's interim and annual reports;
- reviewing accounting policies and practices adopted by the Group;
- reviewing the external auditor's qualifications, independence and audit fee;
- reviewing the external auditor's management letter and the management's response;
- assisting the Board to evaluate on the effectiveness of financial reporting procedures and internal control system;
- advising on material event or drew the attention of the management on related risks;
- reviewing connected transactions entered into by the Group or subsisting during the year; and
- reviewing the effectiveness of the Group's risk management and internal control systems in respect of the previous fiscal year annually.

CORPORATE GOVERNANCE REPORT

The attendance records of each member of the Audit Committee are set out in the following table:

	Audit Committee meetings attendance/held
Independent non-executive Directors	
Mr. Ng Shing Kin	3/3
Mr. Chen Jun	3/3
Mr. Guo Zheng	3/3

(ii) Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Guo Zheng, Mr. Chen Jun and Mr. Yu Jianjun. Mr. Guo Zheng is the chairman of the Remuneration Committee. The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management as well as the specific remuneration packages for the executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

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

The Remuneration Committee has held one meeting during the year ended 31 December 2025. All members of the Remuneration Committee have attended the meeting and reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. The Remuneration Committee also assessed performance of our executive Directors, discussed and approved the terms of executive Directors' service contracts.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2025 is set out below:

Remuneration bands	Number of persons
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	1

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 8 and 9 to the financial statements.

CORPORATE GOVERNANCE REPORT

(iii) Nomination Committee

The Nomination Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Chen Jun, Mr. Ng Shing Kin and Ms. Liu Min. Mr. Chen Jun is the Chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Nomination Policy and Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Nomination Policy and Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Nomination Policy and Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

The Nomination Committee has held one meeting during the year ended 31 December 2025. All members of the Nomination Committee have attended the meeting and reviewed the size, diversity and composition of the Board.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board on 16 December 2013 in compliance with provision D.3.1 of the Code Provisions, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Code Provisions and relevant disclosure in the corporate governance report of the annual report of the Company.

The Board has performed the abovementioned corporate governance functions during the year ended 31 December 2025.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14-day prior notice, and agenda with supporting papers sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

CORPORATE GOVERNANCE REPORT

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other which notice shall not expire until after the fixed term. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the appointment. Each of the Directors will be subject to retirement and re-election at annual general meeting of the Company in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the Shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the Shareholders.

BOARD NOMINATION POLICY

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The Nomination Committee considers the following qualifications at a minimum to be required of any Board members in recommending to the Board potential new board members, or the continued service of existing members:

- the highest professional and personal ethics;
- broad experience in business;
- ability to provide insights and practical wisdom based on their experience and expertise;
- commitment to enhancing shareholder value;
- sufficient time to effectively carry out their duties and their service on other boards of public companies should be limited to a reasonable number;

CORPORATE GOVERNANCE REPORT

- compliance with legal and regulatory requirements; and
- ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Group.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the “**Board Diversity Policy**”) on 16 December 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets and distribution channels. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Board considered that Independent Directors can enhance the effectiveness and decision-making of the Board by providing independent view, objective judgement and constructive challenge to the Board and management of the Group.

The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to enhance the gender diversity among the Board members.

COMPANY SECRETARY

Mr. Pang Wing Hong was appointed as a Company Secretary of the Company since 19 October 2015 and also serves as the secretary of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Pang is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

Mr. Pang confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2025 in accordance with the provisions under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of HLB Hodgson Impey Cheng Limited, the Company's external auditors, with respect to financial reporting are set out in the section headed "Independent Auditors' Report" in this annual report.

Risk management and internal control

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

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The division/department head of each core business segment is accountable for the conduct and performance of such segment within the agreed strategies, which are set by themselves and the Board together, and reports directly to the Board.

In the course of conducting the business of the Group, it is exposed to various types of risks. During the year ended 31 December 2025, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	Sensitivity to government policies; keeping up with new technologies and customers' taste; market competition risk, reputation risk
Operational Risks	Insufficient labour supply; workplace injury; disruption of IT system
Financial Risks	Liquidity risk, credit risk, interest rate risk, foreign exchange risk, inflation risk
Compliance Risks	Risk related to occupation safety and health; risk of non-compliance with ordinances related to employment; change of the Listing Rules and relevant company regulations and ordinances

CORPORATE GOVERNANCE REPORT

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

The risk management process of the Group will involve, among others, (i) an annual risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) an annual review of the implementation of the risk management plans and fine tuning of the implementation plan when necessary.

During the Reporting Period and up to the date of this report, the Board, through the Audit Committee, has conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

Up to the date of this report, the Group has engaged an experienced personnel to maintain an internal audit function. The Board has overall responsibility for the risk management and internal control systems and for reviewing its effectiveness.

The Company has engaged external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

During the Reporting Period, the scope of review of the internal control from the external independent professional covered the following aspects: (1) control environment and risk management, (2) purchasing and payment cycle, (3) information system management cycle. The internal control review has been completed and certain internal control deficiencies were identified. Up to the date of this report, the Company has agreed to adopt the remedial measures (as below mentioned) recommended by the external independent professional.

- (a) Consult and engage lawyers and advisors in Hong Kong and/or the Cayman Islands to review the Memorandum of Association and Articles of Association ("**Articles of Association**") and internal control policies of the Company that comply with the new Corporate Governance Code, and update the Articles of Association and the corporate governance policies as necessary.
- (b) Improve the purchasing process by requiring more detailed information and additional approvals.
- (c) Outline the use of e-mail policy, including use of the e-mail guidelines and risk control for e-mail attachments.

Overall, the Company has complied with the risk management and internal control code provisions of the CG Code during the Reporting Period.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

During the year ended 31 December 2025, the fees payable to HLB Hodgson Impey Cheng Limited in respect of its audit services were RMB0.8 million (2024: RMB0.8 million). There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the years ended 31 December 2025 and 2024.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders no less than 20 business days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Room 1601, Ho King Commercial Centre, 2-16 Fa Yuen Street, Mongkok, Kowloon, Hong Kong or via email to ir@redkids.com.

(iii) Convening extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at Room 1601, Ho King Commercial Centre, 2-16 Fa Yuen Street, Mongkok, Kowloon, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to Shareholders at least 20 clear business days prior to the meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to Article 85 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such Notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS AND COMMUNICATION

The Company recognises the importance of communication with Shareholders and accountability to Shareholders. Annual and interim reports offer comprehensive operational and financial performance information to Shareholders. The Company's senior management also maintains close communication with investors, analysts and the media by other channels including roadshows, briefings and individual meetings. The Company has set up its own website <http://www.redkids.com>, which is updated on a regular basis, as a means to provide updated information on the Company to investors.

The Company has reviewed the Shareholders' communication policy and believes that the Company has provided investors with multiple channels for investors to understand the Group's business and operations, as well as channels for investors to express their opinions and comments. The Company also actively responded to the feedback from investors. Based on this, the Company believes that the Shareholders' communication policy implemented during the year is sufficient and effective.

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ding Peiji, aged 56, is the founder of the Group. He is also the chief executive officer and the chairman of the Board of our Company. He was appointed as an executive Director on 15 March 2013. He is also the chairman of board of directors of Red Kids (China) Co., Ltd. (“**Red Kids China**”), a principal operating subsidiary of the Group. Mr. Ding has over 25 years of experience in the apparel and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. His social undertakings include the vice Chairman for the second term of the Children's Wear Expert Committee of China National Garment Association (中國服裝協會童裝專業委員會) appointed in September 2009, the vice president for the first and second term of the Quanzhou Textile & Garments Commerce Chamber (泉州市紡織服裝商會) appointed in May 2002 and November 2008, respectively, a standing council member for the first term of the Federation of Industry & Commerce of Quanzhou Qingmeng Scientific & Technological Industrial Zone (泉州市清濛科技工業園區工商業聯合會) appointed in August 2002, and a Supervisor of Qingmeng Scientific & Technological Industrial Zone for Honest and Efficient Governance (清濛科技工業區勤政廉政監督員) appointed in July 2002. He completed the Advanced Management Programme by China Europe International Business School (中歐國際工商學院) in 2010.

Ms. Liu Min, aged 50, was appointed as an executive Director of our Company on 4 August 2023 and holds director positions of certain group companies. Ms. Liu has over 25 years working experience in senior management position and has served for supply chain management and technology industries. Ms. Liu is currently the senior manager of a private limited company and responsible for supply chain management and financial related matters. Ms. Liu holds a Bachelor of accountancy from Zhongnan University of Economics and Law in the PRC.

Mr. Yu Jianjun, aged 55, was appointed as an executive director of our Company on 28 June 2024. Mr. Yu has over 25 years working experience in senior management position and has served for various industries including but not limited to supply chain management. Mr. Yu is currently the operation in-charge of a private limited company and responsible for supply chain management. Mr. Yu holds a Bachelor of Economics from Chongqing University of Technology (formerly known as Chongqing Institute of Industrial Management).

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Shing Kin, aged 44, was appointed as an independent non-executive Director of our Company on 5 July 2022. Mr. Ng has over 17 years of experience in audit and accounting. Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals (FRM®) in July 2008 and was admitted as a member of the HKICPA in January 2012. He was also admitted as a member The Institute of Chartered Accountants in England and Wales in June 2020, a member of Associate of Chartered Certified Accountants in July 2020, a member of the Chartered Institute of Management Accountants in August 2023 and a member of ESG Certified Professional (ESGCP®) by The Chamber of Hong Kong Listed Companies in December 2024. Mr. Ng is currently a practicing certified public accountant in Hong Kong.

From November 2015 to December 2023, Mr. Ng worked as the financial controller and company secretary of Jin Mi Fang Group Holdings Limited (formerly known as Royal Group Holdings International Company Limited), a company listed on GEM of the Stock Exchange (stock code: 8300). From January 2024, Mr. Ng continued to serve as the financial controller and company secretary under an external professional services contract of Redford Business Advisory Services Limited. Mr. Ng has been the company secretary of Ying Hai Group Holdings Company Limited, the shares of which is listed on GEM of the Stock Exchange (stock code: 8668), since February 2019. Mr. Ng is currently an independent non-executive director of WMCH Global Investment Limited, the shares of which is listed on GEM of the Stock Exchange (stock code: 8208).

Mr. Ng was a company secretary of WT Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8422) from March 2021 to July 2021 and a company secretary of Jiujiuwang Food International Limited, the shares of which is listed on Main Board of the Stock Exchange (stock code: 1927) from June 2021 to December 2023.

Mr. Ng obtained a honours diploma in business administration from Hong Kong Shue Yan College in July 2005 and a master degree in business administration from the University of Louisiana, Monroe through long distance learning. In November 2007, Mr. Ng further obtained a postgraduate diploma in professional accounting from Hong Kong Baptist University.

Mr. Chen Jun, aged 56, was appointed as an independent non-executive Director of our Company on 31 October 2022. Mr. Chen obtained a Bachelor of Economics from Dongbei University of Finance and Economics in the PRC in 1991. Mr. Chen is a practicing member of the Chinese Institute of Certified Public Accountants. He is currently the vice president of a private limited company and responsible for internal control. Mr. Chen has over 30 years of extensive experience in general management, investment, finance, accounting and auditing in different industries.

Mr. Guo Zheng, aged 47, was appointed as an independent non-executive Director of our Company on 16 June 2023. Mr. Guo obtained a Master degree in Engineering Thermophysics from University of Science and Technology of China in the PRC in 2005. Mr. Guo is currently a lecturer of Anhui Jianzhu University and has over 15 years experience in engineering thermophysics, building physics and green building.

REPORT OF THE DIRECTORS

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands. The Group's principal place of business is in Mainland China.

PRINCIPAL ACTIVITIES

The principal activities of the Group are engaged in the wholesale business of design, manufacture and sales of children's apparel and other apparel related products. In addition, the supply chain management business of the Group has been emerged and the type of business scope included but not limited to the trading of bulk commodities in Mainland China. Other than this, there were no significant changes in the nature of the Group's principal activities during the year in Mainland China. The principal activities and other particulars of the subsidiaries are set out in note 29 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, aggregate sales to the Group's largest and five largest customers accounted for 32.68% (2024: 25.1%) and 90.29% (2024: 52.0%), respectively, of the Group's total turnover for the year.

During the year ended 31 December 2025, aggregate purchases from the Group's largest and five largest suppliers of raw materials and OEM products accounted for 23.49% (2024: 29.32%) and 97.54% (2024: 68.68%), respectively, of the Group's total purchases for the year.

At no time during the year have the Directors, their close associates or any Shareholder of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital (excluding treasury shares)) had any interest in the Group's five largest customers and suppliers.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2025 are provided in the Chairman's Statement, Management's Discussion and Analysis, the ESG Report and Corporate Governance Report of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 162 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2025 and the state of the Company's and the Group's affairs as at that date are set out in financial statements on pages 83 to 161 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 11 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The distributable reserve of the Company as at 31 December 2025 was approximately RMB120,137,000 (2024: RMB83,404,000) as calculated based on the Company's share premium, capital reserves and accumulated profit under applicable provisions of the Companies Law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

DIVIDEND

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

No interim dividend was paid for the year of 2025 (2024: Nil).

CHARITABLE DONATIONS

No charitable donations were made by the Group during the year of 2025 (2024: Nil).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the business and some are from external sources. Major risks are summarised below.

(i) Fashion risk

Our success depends on our ability to define products trends and anticipate, gauge and react to changing consumer demands in a timely manner. Failure to anticipate and respond timely to changing consumer preferences could lead to lower sales and excess inventory levels. Within each design concept it is important to have the right volumes and achieve the right balance in the mix between fashion basics and the latest trends. To optimize fashion precision, we introduce products in different batches throughout the season and will further shorten the product development cycle in order to reduce the lead time between production and delivery to customers. In addition, shopping patterns and the length of product seasons can vary in different provinces in Mainland China. Accordingly, we adjust the delivery dates and product volumes for the various markets and stores depending on market condition.

(ii) Intense competition

We compete not only with local Chinese brands, but also with other international fashion brands. Areas of competition include product designs, production costs, marketing programs and customer services. If we do not respond timely to our competitors, our costs may increase or the consumer demand for our products may decline and our revenue and profits would decrease.

(iii) Macroeconomic environment

The risk exists that negative macroeconomic changes may result in negative changes in the business environment. Fashion products may be considered as discretionary items for customers. Slower consumer spending may result in reduced demand for our products, reduced orders from our distributors, order cancellations, higher discounts, increased inventories, lower revenue and margins. It is therefore important for the Group to be aware of any such changes of economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions.

(iv) Supply chain

We do own or operate a manufacturing facility but depend mostly upon independent manufacturers to produce all of our products and materials. Any disruption in the supply of fabric, raw materials and products from suppliers may cause problems in our supply chain. We have no long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and apparel products. Nevertheless, we have developed long-standing relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the time.

REPORT OF THE DIRECTORS

(v) Financial health of our distributors

We extend credit to our distributors based on assessments of their financial conditions, repayment history and sales performance. To assist in the scheduling of production of our products, our customers could place orders four to five months ahead of delivery under our sales fair ordering system. These advance orders may be cancelled and the risk of cancellation may increase when dealing with distributors struggling with financial difficulties. A slowing economy could also adversely affect the financial health of our customers, which in turn could have an adverse effect on our results of operation. In addition, product sales are dependent in part on an appealing store environment to attract consumers, which requires continuing investments by distributors. Distributors that experience financial difficulties may fail to make such investments and result in lower sales and orders for our products.

(vi) Information system

We are dependent on information technology systems and networks, including the internet and third-party hosted services across many of our operating activities, including sales and distribution, ordering and purchases, sales and distribution, inventory management in all distributors, e-commerce business, customer relationship management, digital marketing and financial reporting. Any material disruption or slowdown of our IT systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses or cyber attacks could cause a loss of data or operation interruption. Therefore, we invest continuously in our IT and ERP system so as to keep up with the technology security and availability and integrity of critical operation data.

(vii) Reputational risk

We are one of the leading brands and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining and promoting our brands will depend on our product design, marketing efforts and product quality. In addition, effect of our marketing activities depends on our ability to adapt to the rapidly changing media environment, including social media and online advertising campaigns. Should existing and potential customers lose confidence in its brands, or in the industry in general, because of negative publicity, the Group's sales would decrease. To safeguard and manage the brand, it is important that the Group continues to uphold its brand value, corporate image, product safety and maintain high business ethics. In addition, it is also important that communication with our shareholders, customers and other stakeholders is accurate, transparent and reliable.

(viii) Weather

Extreme weather conditions in the areas in which our distributors, suppliers and customers are located could adversely affect our operating results and financial condition.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides pre-employment and on-the-job training and development opportunities to our staff members. The training programs cover areas such as managerial skills, sales and production, customer services, quality control, sales fairs planning, workplace ethics and training of other areas relevant to the industry.

We seriously consider all valuable feedback from our employees for enhancing workplace productivity and harmony. In addition, the Group offers competitive remuneration packages to our employees. The Group has also adopted share option schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing relationships with a number of our vendors and take great care to ensure that they share our commitment to quality and ethics. We carefully select our OEM and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. We also require our OEMs to comply with our anti-bribery policy.

(iii) Distributors

We sell our products to end customers through third-party distributors. We work with our distributors like we are business partners and ensure we share the view for upholding our brand value and customer services, specifically focusing on attracting and retaining customers in order to drive sales growth. We require our distributors to comply with our policies. We also monitor the financial condition and repayment history of our distributors.

(iv) Customers

We are committed to offer a broad and diverse range of inspiring, value-for money, good-quality fashion with our various brands to our customers. We also stay connected with our customers. We have ongoing communications with our customers through various channels like the Company's website, telephone, direct mail, marketing materials and social media.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycling of office supplies and other materials. We also require factories of our OEM to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the year ended 31 December 2025 and up to the date of this report, we have complied with all the relevant laws and regulations in Mainland China and Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company was incorporated.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities or treasury shares during the financial year.

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Ding Peiji (*Chairman*)

Ms. Liu Min

Mr. Yu Jianjun

Mr. Ding Peiyuan (resigned on 30 September 2025)

Independent non-executive Directors

Mr. Ng Shing Kin

Mr. Chen Jun

Mr. Guo Zheng

REPORT OF THE DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other which notice shall not expire until after the fixed term. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing on the date of appointments. Each of the Directors will be subject to retirement and re-election at annual general meeting in accordance with the Company's articles of association. The details of the remuneration of each of the Directors are revealed on note 8 to the financial statements.

Details of the Directors' biographies have been set out on pages 61 to 62 of the annual report. In accordance with article 84 of the Company's articles of association, Ms. Liu Min and Mr. Guo Zheng will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The list of names of all directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website (<http://www.redkids.com>).

DIRECTORS' SERVICE CONTRACTS

None of the Directors has or proposed to have an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2025.

RELATED PARTY TRANSACTION

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2025 are set out in note 26 to the consolidated financial statements. To the best knowledge of the Directors, save as disclosed in the note, none of these related party transactions constitute connected transactions or continuing connected transactions that need to be disclosed under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

The Shares of the Company were listed on the Main Board of the Stock Exchange on 15 January 2014. As at 31 December 2025, the interests or short positions of the Directors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

Long positions in the Company

Name of Directors	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding ⁽⁴⁾
Mr. Ding Peiji ⁽¹⁾	L ⁽²⁾	Interest in a controlled corporation	24,817,669	11.21%
		Beneficial owner	373,200	0.17%
		Beneficial owner	90,000 ⁽³⁾	0.04%

Notes:

- (1) Think Wise Holdings Investment Limited ("**Think Wise**") is wholly-owned and controlled by Mr. Ding Peiji. Accordingly, Mr. Ding Peiji is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.
- (2) The letter "L" denotes long position.
- (3) Mr. Ding Peiji, an executive Director, has been granted an option to subscribe for 90,000 Shares under the Share Option Scheme granted on 2 November 2018.
- (4) The calculation is based on the total number of 221,446,000 ordinary Shares of the Company in issue as at 31 December 2025, without taking into account any Shares to be issued upon exercise of the options granted under the Share Option Scheme or options which may be granted under the Share Option Scheme.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2025, none of the Directors and the chief executives of the Company and their respective close associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

The Shares of the Company were listed on the Main Board of the Stock Exchange on 15 January 2014. As at 31 December 2025, the persons or corporations other than a Director or chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding ⁽⁵⁾
Think Wise ⁽¹⁾	L ⁽²⁾	Beneficial owner	24,817,669	11.21%
Mr. Ding ⁽¹⁾	L ⁽²⁾	Interest in a controlled corporation	24,817,669	11.21%
		Beneficial owner	373,200	0.17%
		Beneficial owner	90,000 ⁽³⁾	0.04%
Goldrun Limited ⁽⁴⁾	L ⁽²⁾	Beneficial owner	20,704,000	9.35%
Mr. Chen Hsin Fu ⁽⁴⁾	L ⁽²⁾	Interest in a controlled corporation	20,704,000	9.35%

REPORT OF THE DIRECTORS

Notes:

- (1) Think Wise is wholly-owned and controlled by Mr. Ding Peiji. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.
- (2) The letter “L” denotes long position.
- (3) Mr. Ding Peiji, an executive Director, has been granted an option to subscribe for 90,000 Shares under the Share Option Scheme granted on 2 November 2018.
- (4) Based on the notices of disclosures of interests of Goldrun Limited and Mr. Chen Hsin Fu each filed with the Stock Exchange dated 27 April 2022, these interests are held by Goldrun Limited, which is wholly owned by Mr. Chen Hsin Fu.
- (5) The calculation is based on the total number of 221,446,000 ordinary Shares in issue as at 31 December 2025 without taking into account of any Shares to be issued upon exercise of the options granted under the Share Option Scheme or options which may be granted under the Share Option Scheme.

Save as disclosed above, as at 31 December 2025, the Company is not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of Part XV of the SFO.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 26 to the financial statements, no contract of significance in relation to the Group’s business to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS’ INDEMNITIES AND INSURANCE

As permitted by the articles of association of the Company, a Director or a former Director of the Company may be indemnified out of the Company’s assets against any liability incurred by the Director to a person other than the Company or an associated company of the Company that attaches to such Director in his or her capacity as a Director of the Company, to the extent permitted by law.

The Company has also taken out and maintained directors’ and officers’ liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its Directors and officers.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 26 to the financial statements, there had been no contract of significance between the Company or any of its subsidiaries and controlling Shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholders of the Company or any of its subsidiaries during the year.

REPORT OF THE DIRECTORS

COMPETING BUSINESS

None of the Directors of the Company had any interests in any business which competes or are likely compete, either directly or indirectly, with the business of the Company or any of its subsidiaries during the year. Each of Mr. Ding Peiji and Think Wise (the controlling Shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 16 December 2013. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with during the year.

EQUITY-SETTLED SHARE BASED PAYMENTS

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 27 December 2013 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

Share Option Scheme

The Company adopted the Share Option Scheme on 27 December 2013 for the purpose of rewarding certain eligible persons for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on the Listing Date. Therefore, the Share Option Scheme was expired in 2023. Following the expiry of the scheme on 27 December 2023, no further share option can be granted, but the provisions of the scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the scheme.

Eligible participants of the Scheme include any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors or proposed director (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; any direct or indirect Shareholder of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e. 8,000,000 shares of the Company (adjusted after share consolidation in the year of 2021). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

REPORT OF THE DIRECTORS

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, where any grant of options or awards to an independent non-executive director or a substantial shareholder of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options or awards must be approved by shareholders of the Company in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules.

The exercise period of the share options granted is determinable by the Directors, which period may commence on the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

REPORT OF THE DIRECTORS

Details of movement in the share options as at 31 December 2025 which have been granted under the Share Option Scheme are as follows:

Name	Outstanding as at 1 January 2025	Granted during the year ended 31 December 2025	Exercised during the year ended 31 December 2025	Cancelled during the year ended 31 December 2025	Outstanding during the year ended 31 December 2025	Exercise Price	Date of grant	Exercisable period
Directors								
Mr. Ding Peiji	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Mr. Ding Peiyuan (resigned on 30 September 2025)	960,000	-	-	-	960,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Ms. Ding Lizhen (resigned on 4 August 2023)	900,000	-	(900,000)	-	-	1.07	2 November 2018	2 November 2019 - 1 November 2028
Mr. Hung Cho Sing (resigned on 16 June 2023)	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Mr. Chan Wai Wong (resigned on 31 October 2022)	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Mr. Wu Shiming (resigned on 28 June 2022)	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Employees	2,580,000	-	(800,000)	-	1,780,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Others*	3,200,000	-	(1,600,000)	-	1,600,000	1.07	2 November 2018	2 November 2019 - 1 November 2028
Total	8,000,000	-	(3,300,000)	-	4,700,000			

* Comprise of customers and consultants of the Company.

As at the date of this report, no share option granted under the Share Option Scheme were lapsed during the year ended 31 December 2025.

REPORT OF THE DIRECTORS

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Equity-settled Share Based Payments” above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 2 to the financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance transparency of the Company and facilitate Shareholders and investors to make informed investment decisions in relation to the Company (the “**Dividend Policy**”).

According to the Dividend Policy, the Board shall take into account, inter alia, the following factors in deciding whether to propose a dividend and in determining the dividend amount:

- (i) the Group's financial results;
- (ii) the financial condition of the Group;
- (iii) future cash requirements and availability for business operations, business strategies and future development needs;
- (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (v) the retained earnings and distributable reserves of the Company and each of the members of the Group;
- (vi) the general market conditions; and
- (vii) any other factors that the Board may consider appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the applicable laws and the relevant provisions of articles of association of the Company.

Any declaration and/or payment of future dividends under the Dividend Policy are/is subject to the Board's determination and would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2025, the Group's indirect wholly-owned subsidiary Red Kids Group (Hong Kong) Limited entered into a Sale and Purchase Agreement on 2 December 2025 with Fujian Quanzhou Langyaoda Investment Company Limited* (福建泉州朗曜達投資有限公司) (wholly-owned by Mr. Ding Peiji, the Company's Executive Director and Chairman) to conditionally dispose of the entire equity interest of Quanzhou Hungyu Innovative Business Development Limited* (泉州紅隅科創產業發展有限公司) (the "**Target Company**"), an indirect wholly-owned property-holding subsidiary of the Company, at a consideration of RMB75.7 million (equivalent to approximately HK\$83.2 million).

This disposal constitutes a major and connected transaction under the Hong Kong Stock Exchange Listing Rules. The Company convened an extraordinary general meeting ("**EGM**") on 30 January 2026, at which the independent shareholders approved the disposal and the contemplated transactions. The purchaser has undertaken to continue leasing the Group's operational properties until 30 June 2027 upon completion. As at the date of approval of these consolidated financial statements, the disposal is yet to be completed.

AUDITORS

A resolution will be proposed at the 2026 AGM to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress, and to thank all our shareholders, customers and business partners for their support.

On behalf of the Board

Ding Peiji
Chairman

Hong Kong, 30 March 2026

INDEPENDENT AUDITORS' REPORT



31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIKO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Miko International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 83 to 161, 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.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IASB**”) 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**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Allowance for expected credit loss recognised on trade receivables

Refer to notes 2, 3 and 16 to the consolidated financial statements

As at 31 December 2025, the Group had gross trade receivables of approximately RMB85,447,000 with the allowance for expected credit loss of approximately RMB42,150,000.

Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of allowance for expected credit loss based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the use of significant management judgements and estimates.

Our procedures in relation to management's estimated allowance for expected credit loss of trade receivable as at 31 December 2025 included:

- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2025 to the underlying financial records and post-year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgement and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The directors 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 auditors' report thereon (the **"Other Information"**).

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

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

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

INDEPENDENT AUDITORS' REPORT

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

As part of an audit in accordance with HKSAAs, we exercise professional 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Fong Ka Yiu (practising certificate number: P08080).

HLB Hodgson Impey Cheng Limited
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 (Expressed in Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Revenue		608,415	389,137
Cost of sales		(594,424)	(370,017)
Gross profit		13,991	19,120
Other revenue	5	3,247	2,712
Written down on inventories	6(c)	(77)	(2,577)
(Allowance)/reversal of allowance for expected credit losses on trade and other receivables, net	25(a)	(24,856)	269
Selling and distribution expenses		(23,557)	(25,424)
Administrative and other operating expenses		(27,281)	(21,361)
Loss from operations		(58,533)	(27,261)
Finance costs	6(a)	(316)	(615)
Loss before taxation	6	(58,849)	(27,876)
Income tax expenses	7(a)	(165)	(541)
Loss for the year attributable to shareholders of the Company		(59,014)	(28,417)
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		200	(972)
Total comprehensive loss for the year attributable to shareholders of the Company		(58,814)	(29,389)
Loss per share (RMB cents)			
– Basic and diluted	10	(28.70)	(16.23)

The notes are an integral part of those consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025 (Expressed in Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	11	44,647	44,559
Intangible assets	12	–	–
Right-of-use assets	13	2,057	2,251
Deposits paid for property, plant and equipment	17	9,394	–
		56,098	46,810
Current assets			
Inventories	15	57,933	17,491
Trade receivables	16	43,297	88,515
Prepayments, deposits and other receivables	17	968	13,587
Cash and cash equivalents	18	55,241	39,655
		157,439	159,248
Current liabilities			
Trade and other payables	20(a)	71,110	55,089
Contract liabilities	20(b)	15,634	–
Lease liabilities	21	88	102
Bank loans	19	10,000	17,000
		96,832	72,191
Net current assets		60,607	87,057
Total assets less current liabilities		116,705	133,867

The notes are an integral part of those consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025 (Expressed in Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	21	–	91
Deferred tax liabilities	14(a)	1,300	1,300
		1,300	1,391
Net assets		115,405	132,476
Equity			
Share capital	24(b)	18,860	15,654
Reserves		96,545	116,822
Total equity		115,405	132,476

Approved and authorised for issue by the board of directors on 30 March 2026:

Ding Peiji
Director

Liu Min
Director

The notes are an integral part of those consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025 (Expressed in Renminbi)

	Share capital	Share premium	Share-based payment reserve	Capital reserve	Exchange reserve	Statutory reserve	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	24(b)	24(c)(i)	24(c)(iv)	24(c)(v)	24(c)(iii)	24(c)(ii)		
Balance at 1 January 2024	13,026	304,172	4,571	145,549	13,343	58,134	(394,959)	143,836
Change in equity for the year 2024:								
Loss for the year	-	-	-	-	-	-	(28,417)	(28,417)
Other comprehensive loss	-	-	-	-	(972)	-	-	(972)
Total comprehensive loss	-	-	-	-	(972)	-	(28,417)	(29,389)
Conversion of convertible bonds	2,628	15,401	-	-	-	-	-	18,029
Balance at 31 December 2024	15,654	319,573	4,571	145,549	12,371	58,134	(423,376)	132,476
Change in equity for the year 2025:								
Loss for the year	-	-	-	-	-	-	(59,014)	(59,014)
Other comprehensive income	-	-	-	-	200	-	-	200
Total comprehensive loss	-	-	-	-	200	-	(59,014)	(58,814)
Issue of shares under share option scheme	304	4,838	(1,889)	-	-	-	-	3,253
Issue of placing shares, net of expenses (note 24(b)(ii))	2,902	35,588	-	-	-	-	-	38,490
Balance at 31 December 2025	18,860	359,999	2,682	145,549	12,571	58,134	(482,390)	115,405

The notes are an integral part of those consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025 (Expressed in Renminbi)

	Note	2025 RMB'000	2024 RMB'000
Operating activities			
Loss before taxation		(58,849)	(27,876)
Adjustment for:			
Depreciation of property, plant and equipment	6(c)	5,553	5,954
Loss on disposal of property, plant and equipment	6(c)	291	10
Amortisation of right-of-use assets	6(c)	198	107
Finance costs	6(a)	316	615
Interest income	5	(1,026)	(1,433)
Written down on inventories	6(c)	77	2,577
Allowance/(reversal of allowance) for expected credit loss on trade and other receivables, net	25(a)	24,856	(269)
Operating cash flow before movements in working capital		(28,584)	(20,315)
(Increase)/decrease in inventories		(40,519)	10,999
Decrease in trade receivables		20,372	5,604
Decrease/(increase) in prepayments, deposits and other receivables		12,609	(3,094)
Increase/(decrease) in trade and other payables and contract liabilities		27,928	(28,268)
Cash used in operations		(8,194)	(35,074)
Income tax		(165)	(541)
Net cash used in operating activities		(8,359)	(35,615)
Investing activities			
Payment for the purchase of property, plant and equipment		(15,370)	(11,853)
Proceeds from disposal of property, plant and equipment		44	–
Interest received	5	1,026	1,433
Net cash used in investing activities		(14,300)	(10,420)
Financing activities			
Proceeds from bank loans		10,000	17,000
Repayment of bank loans		(17,000)	(17,000)
Repayment of lease liabilities		(111)	(19)
Net proceeds from issue of new placing shares		38,490	18,029
Net proceeds from issue shares under share option scheme		3,253	–
Proceeds from amount due to a director		6,479	37,032
Repayment of amount due to a director		(2,752)	(7,489)
Interest paid		(305)	(612)
Net cash generated from financing activities		38,054	46,941
Net increase in cash and cash equivalents		15,395	906
Cash and cash equivalents at 1 January		39,655	39,721
Effect of foreign exchange rate changes		191	(972)
Cash and cash equivalents at 31 December	18(a)	55,241	39,655

The notes are an integral part of those consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 1601, Ho King Commercial Centre, 2-16 Fa Yuen Street, Mong Kok, Kowloon, Hong Kong.

As at 31 December 2025, the directors of the Company consider the immediate and ultimate controlling parties to be Think Wise Holdings Investment Limited and Mr. Ding Peiji respectively.

During the year, the Group were principally engaged in the wholesale business of design, manufacture and sales of children's apparel and other apparel related products. In addition, the supply chain management business of the Group has been emerged and the type of business scope included but not limited to the trading of bulk commodities in Mainland China. Other than this, there were no significant changes in the nature of the Group's principal activities during the year.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Application of new and amendments to IFRS Accounting Standards

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Application of new and amendments to IFRS Accounting Standards (Continued)

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

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

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

¹ Effective for annual period 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 IFRS Accounting Standard mentioned below, the directors anticipate that the application of the new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 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 IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by IASB. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Basis of preparation of consolidated financial statements (Continued)

The Company's functional currency is Hong Kong Dollar ("HK\$"). The consolidated financial statements are presented in Renminbi ("RMB") as the directors of the Company considered that the principal activities of the Group is design, manufacture and sales of children apparel products are mainly conducted in the People's Republic of China ("PRC") and the functional currency of subsidiaries with operation in the PRC are denominated in RMB, the directors of the Company consider that it would result in a more appropriate presentation of the Group's transactions in the consolidated financial statements.

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposals groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Property, plant and equipment

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

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- | | |
|---|----------|
| – Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion. | |
| – Machinery | 10 years |
| – Motor vehicles | 5 years |
| – Furniture, fixtures and equipment | 5 years |

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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Computer software is amortised from the date they are available for use for 5–10 years.

Distribution channels recognised as an intangible asset on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals in determining when measuring its fair value. It is amortised from the remaining contractual terms of the right required of distribution channels and shall not include renewal periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

Interest in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Interest in associate (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with its associate, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

Changes in the Groups interests in an associate

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interest.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Impairment of assets other than goodwill

(i) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;

If any such indication exists, the asset's recoverable amount is estimated.

At each reporting date, 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 those 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 which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Impairment of assets other than goodwill (Continued)

(i) Impairment of other assets (Continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

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
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. 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.

Employee benefits

(i) **Short term employee benefits and contributions to defined contribution retirement plans**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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 IFRS 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, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

For long service payment ("**LSP**") obligation, the Group accounts for the employer mandatory provident fund ("**MPF**") contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of IAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Employee benefits (Continued)

(ii) *Equity-settled share-based payments*

Share options granted to employees

The fair value of share options granted to eligible persons is recognised as an expense with a corresponding increase in the share-based payment reserve within equity. The fair value is measured at the grant date using the binomial model, taking into account the terms and conditions upon which the options are granted. Where the eligible persons have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve). The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulative losses).

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 and interests 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.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal and constructive) as result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligation (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligation (including allocation of transaction price) (Continued)

Design, manufacture and sales of children apparel products

Revenue from sales of children apparel products is recognised at a point in time when the goods are transferred to customers upon delivery.

Sales of bulk commodity products

Revenue from sales of bulk commodity products is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the product and collectability of the related receivables is reasonably assured.

Government Grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivables 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 revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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, except for exchange difference on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interest in an associate.

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. RMB) 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 that 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 exchange reserve (attributed to non-controlling interests as appropriate).

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Borrowing costs (Continued)

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualify assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

Lease

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

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for a lease of low-value assets. Lease payments on short-term leases and leases of low-value assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Lease (Continued)

The Group as lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from the commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

Refundable rental deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Lease (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date of 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 use the incremental borrowing rate at the lease commencements date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasure lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/excepted payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Lease (Continued)

The Group as lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying asset; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risk and rewards incidental to ownership of an underlying asset to the lessee the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Lease (Continued)

The Group as a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentive provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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 IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("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 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.

Interest and dividend income which are derived from the Group's ordinary course of business are presented as other revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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 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.

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) on financial assets (including trade receivables, deposit paid, other receivables and cash and cash equivalents) which are subject to impairment under IFRS 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. Assessment 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 event 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Financial assets (Continued)

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

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, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Financial assets (Continued)

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

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.

Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Financial assets (Continued)

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted for factors that are specific to the debtors, general economic conditions, and forward-looking information, including time value of money where appropriate. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

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. For a lease receivable, the cash flow used for determining the ECL is consistent with cash flow used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade 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;
- Nature, size and industry of debtors; and
- External credit ratings where available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Financial assets (Continued)

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

Measurement and recognition of ECL (Continued)

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

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

The Group recognised an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability for amount it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 recognized 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 definition of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities at amortised cost

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

Modification of financial liabilities

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

Financial instruments (Continued)

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amount.

As at 31 December 2025, the carrying amounts of property, plant and equipment and right-of-use assets are approximately RMB44,647,000 and RMB2,057,000 (2024: approximately RMB44,559,000 and RMB2,251,000) respectively. The details of impairment assessment on property, plant and equipment and right-of-use assets are set out in Notes 11 and 13.

(b) Allowance for ECL on trade receivables

When ECL assessment is performed using a provision matrix. Details on how ECL were measured should be consistent to the internal credit risk management of the Group are disclosed in Note 25(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

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

(b) Allowance for ECL on trade receivables (Continued)

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets at amortised cost are disclosed in Note 25.

4. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions consistent with the way in which information is reported internally to the Group's most senior management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments.

The Group's operations and reportable segments are as follows:

- (i) Wholesale business – design, manufacture and sales of children's apparel and other apparel related products; and
- (ii) Supply chain management business – trading of bulk commodity products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results:

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

	Wholesale business		Supply chain management business		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Reportable segment revenue						
– Revenue from external customer	75,378	260,336	533,037	128,801	608,415	389,137
Segment results	(49,597)	(24,534)	(2,196)	(646)	(51,793)	(25,180)
Other revenue					3,247	2,712
Central administration costs					(9,987)	(4,793)
Finance costs					(316)	(615)
Loss before taxation					(58,849)	(27,876)

All of the segment revenue reported above are generated from external customers. Revenue from contracts with customers are recognised at a point in time.

The accounting policies of the operating segments are the same as the Group's accounting policies to the consolidated financial statements. Segment results represent the loss recorded by each segment without allocation of other revenue, finance costs and central administrative costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities:

	Wholesale business		Supply chain management business		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Segment assets	85,665	150,260	92,352	51,589	178,017	201,849
Unallocated assets					35,520	4,209
Total assets					213,537	206,058
Segment liabilities	21,716	29,879	21,217	118	42,933	29,997
Unallocated liabilities					55,199	43,585
Total liabilities					98,132	73,582

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain other prepayments and receivables and certain cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities and certain other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information:

	Wholesale business		Supply chain management business		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Capital expenditure*	5,976	11,410	–	443	5,976	11,853
Depreciation of property, plant and equipment	5,553	5,896	–	58	5,553	5,954
Amortisation of right-of-use assets	198	107	–	–	198	107
Written down on inventories	77	2,577	–	–	77	2,577
Allowance/(reversal of allowance) for expected credit losses on trade and other receivables, net	24,897	(310)	(41)	41	24,856	(269)

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

Geographical information:

All the Group's revenue from external customers and majority of the Group's non-current assets are based in Mainland China.

Information about major customers:

Revenue from customers which individually contributed over 10% of the Group's revenue for the years ended 31 December 2025 and 2024 is as follows:

	2025 RMB'000	2024 RMB'000
Customer A from supply chain management business	82,447	N/A*
Customer B from supply chain management business	127,180	N/A*
Customer C from supply chain management business	75,212	N/A*
Customer D from supply chain management business	N/A*	97,763

* The corresponding revenue does not contribute over 10% of the Group's revenue for the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers:

	2025 RMB'000	2024 RMB'000
Sales of children's and other apparel products	75,378	260,336
Sales of bulk commodity products	533,037	128,801
	608,415	389,137

	2025 RMB'000	2024 RMB'000
Timing of revenue recognition		
At a point in time	608,415	389,137

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

5. OTHER REVENUE

	2025 RMB'000	2024 RMB'000
Interest income	1,026	1,433
Rental income	2,161	1,161
Others	60	118
	3,247	2,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2025 RMB'000	2024 RMB'000
(a) Finance costs:		
Interest on bank loans	305	612
Interest in lease liabilities	11	3
	316	615
(b) Staff costs:		
Contributions to defined contribution retirement plans	1,043	3,145
Salaries, wages and other benefits	19,205	23,926
	20,248	27,071
(c) Other items:		
Depreciation of property, plant and equipment (note 11)	5,553	5,954
Amortisation of right-of-use assets (note 13)	198	107
Auditors' remuneration		
– Audit services	830	829
Written down on inventories	77	2,577
Allowance/(reversal of allowance) for expected credit losses, net		
– trade receivables	24,846	(253)
– other receivables	10	(16)
Design and development expenses	710	927
Cost of inventories sold [#]	594,424	370,017
Loss on disposal of property, plant and equipment	291	10

[#] Cost of inventories for the year ended 31 December 2025 includes approximately RMB8,561,000 (2024: approximately RMB12,873,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately in notes 6(b) and (c) above for each of these types of expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

7. TAXATION

- (a) **Income tax expenses in the consolidated statement of profit or loss and other comprehensive income represents:**

	2025 RMB'000	2024 RMB'000
Current tax		
– PRC corporate income tax	165	541
Deferred tax		
– Origination of temporary differences (note 14(a))	–	–
	165	541

- (b) **Reconciliation between tax expense and accounting loss at applicable tax rates:**

	2025 RMB'000	2024 RMB'000
Loss before taxation	(58,849)	(27,876)
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	(14,712)	(6,561)
Tax effect of income not taxable for tax purpose	(329)	(291)
Tax effect of expenses not deductible for tax purpose	7,754	2,243
Tax effect of unused tax losses not recognised	7,452	5,150
Tax expense	165	541

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

- (iii) The applicable income tax rate for all of the Group's subsidiaries in PRC is 25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

8. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

Year ended 31 December 2025

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to defined contributions retirement plans RMB'000	Discretionary bonuses RMB'000	Sub-total RMB'000	Equity-settled share-based payments (Note a) RMB'000	Total RMB'000
Executive directors							
Mr. Ding Peiji (<i>Chairman</i>)	-	577	11	-	588	-	588
Mr. Ding Peiyuan (note d)	-	481	11	-	492	-	492
Ms. Liu Min	-	147	-	-	147	-	147
Mr. Yu Jianjun (note b)	-	111	-	-	111	-	111
Sub-total	-	1,316	22	-	1,338	-	1,338
Independent non-executive directors							
Mr. Ng Shing Kin	111	-	-	-	111	-	111
Mr. Chen Jun	111	-	-	-	111	-	111
Mr. Guo Zheng	111	-	-	-	111	-	111
Sub-total	333	-	-	-	333	-	333
Total	333	1,316	22	-	1,671	-	1,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

8. DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2024

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to defined contributions retirement plans RMB'000	Discretionary bonuses RMB'000	Sub-total RMB'000	Equity-settled share-based payments (Note a) RMB'000	Total RMB'000
Executive directors							
Mr. Ding Peiji (<i>Chairman</i>)	–	577	11	–	588	–	588
Mr. Ding Peiyuan (note d)	–	619	11	–	630	–	630
Ms. Liu Min	–	127	–	–	127	–	127
Mr. Chan Yi Hsiung (note c)	–	–	–	–	–	–	–
Mr. Yu Jianjun (note b)	–	55	–	–	55	–	55
Sub-total	–	1,378	22	–	1,400	–	1,400
Independent non-executive directors							
Mr. Ng Shing Kin	111	–	–	–	111	–	111
Mr. Chen Jun	111	–	–	–	111	–	111
Mr. Guo Zheng	111	–	–	–	111	–	111
Sub-total	333	–	–	–	333	–	333
Total	333	1,378	22	–	1,733	–	1,733

Notes:

- (a) These represent the estimated value of equity-settled share-based payments granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2 and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and Note 23.

- (b) Mr. Yu Jianjun was appointed as executive director on 28 June 2024.
- (c) Mr. Chan Yi Hsiung was resigned as executive director on 28 June 2024.
- (d) Mr. Ding Peiyuan was resigned as executive director on 1 October 2025.

During the years ended 31 December 2025 and 2024, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

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9. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2024: two) are directors whose remuneration is disclosed in Note 8 above. The emoluments in respect of the remaining two individuals (2024: three) who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	2,024	1,763
Contributions to defined contribution retirement plans	66	32
	2,090	1,795

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

	2025	2024
Nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	1	–

The emoluments paid or payable to members of senior management (excluding the Directors as disclosed in Note 8) are within the following bands:

	2025	2024
Nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	1	–

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year of approximately RMB59,014,000 (2024: loss of approximately RMB28,417,000) and the weighted average of 205,657,189 ordinary shares (2024: 175,055,000 ordinary shares).

(b) Diluted loss per share

The effect of the Company's share options was anti-dilutive for the years ended 31 December 2025 and 2024, and therefore, diluted loss per share is the same as the basic loss per share.

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For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor Vehicles RMB'000	Furniture, Fixtures and Equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost:						
At 1 January 2024	100,737	18,213	2,664	7,533	4,391	133,538
Additions	–	7,655	637	144	3,417	11,853
Disposal	–	(84)	–	–	(2,603)	(2,687)
Transfer	–	4,867	–	338	(5,205)	–
At 31 December 2024 and 1 January 2025	100,737	30,651	3,301	8,015	–	142,704
Additions	5,716	–	–	260	–	5,976
Disposal	–	(114)	–	(4,794)	–	(4,908)
At 31 December 2025	106,453	30,537	3,301	3,481	–	143,772
Accumulated depreciation:						
At 1 January 2024	71,359	13,825	2,432	4,649	–	92,265
Charge for the year	2,994	2,153	189	618	–	5,954
Disposal	–	(74)	–	–	–	(74)
At 31 December 2024 and 1 January 2025	74,353	15,904	2,621	5,267	–	98,145
Charge for the year	3,014	1,800	316	423	–	5,553
Disposal	–	(103)	–	(4,470)	–	(4,573)
At 31 December 2025	77,367	17,601	2,937	1,220	–	99,125
Net book value:						
At 31 December 2025	29,086	12,936	364	2,261	–	44,647
At 31 December 2024	26,384	14,747	680	2,748	–	44,559

- (a) All property, plant and equipment owned by the Group are located in the PRC.
- (b) Buildings with net book value of approximately RMB7,108,000 as at 31 December 2025 (2024: approximately RMB7,466,000) were pledged as collateral for the Group's bank loans (Note 19).

With the operating loss before finance costs resulted from the operations for years ended 31 December 2025 and 2024, the management of the Group concluded that there was indication for impairment on the CGU.

The recoverable amount of property, plant and equipment have been determined based on fair value less cost to sell approach which performed by independent professional valuers. Based on the assessment, the recoverable amount of property, plant and equipment is higher than the carrying value of property, plant and equipment, the management of the Group determines that there is no impairment on property, plant and equipment.

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12. INTANGIBLE ASSETS

	Computer software RMB'000	Distribution channels RMB'000	Total RMB'000
Cost:			
At 1 January 2024, 31 December 2024 and 1 January 2025	28,442	69,300	97,742
Written off	–	(69,300)	(69,300)
At 31 December 2025	28,442	–	28,442
Accumulated amortisation and impairment:			
At 1 January 2024, 31 December 2024 and 1 January 2025	28,442	69,300	97,742
Written off	–	(69,300)	(69,300)
At 31 December 2025	28,442	–	28,442
Net book change:			
At 31 December 2025	–	–	–
At 31 December 2024	–	–	–

The amortisation for the year is included in selling and distribution expenses and administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

The following useful lives are used in the calculation of amortisation:

Computer software	5-10 years
Distribution channels	2-4¼ years

Distribution channels

Red Kids (China) Limited (“**Red Kids (China)**”), an indirectly wholly-owned subsidiary of the Company, and independent third parties entered into distributor contracts. According to the distributor contracts, Red Kids (China) granted the independent third parties the exclusive distributorship of the “Redkids” brand in the authorised geographic area (the “**Distributors**”). The Distributors have the rights to open new retail stores in the authorised areas to sell “Redkids” products manufactured by the Red Kids (China).

The distribution channels were fully amortised and no longer utilised by the Group were written off during the year. The total written off amount was approximately RMB69,300,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

13. RIGHT-OF-USE ASSETS

	Leasehold Lands RMB'000	Office premises RMB'000	Total RMB'000
At 31 December 2025			
Carrying amount	1,973	84	2,057
At 31 December 2024			
Carrying amount	2,061	190	2,251
For the year ended 31 December 2025			
Amortisation charge	(88)	(110)	(198)
Exchange alignment	–	4	4
For the year ended 31 December 2024			
Amortisation charge	(88)	(19)	(107)
Exchange alignment	–	3	3
		2025 RMB'000	2024 RMB'000
Expense relating to short-term leases		42	40
Total cash outflow for leases		153	59
Addition to right-of-use assets		–	206

Right-of-use assets with carrying amounts of approximately RMB1,973,000 (2024: approximately RMB2,061,000) as at 31 December 2025 were pledged as collateral for the Group's bank loans (Note 19). Leasehold lands represent the costs of land use rights in respect of certain leasehold lands located in PRC, which are held under a medium lease form.

In 2024, the Group leases office for its operations. Lease contracts are entered into for fixed term of 2 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The recoverable amount of right-of use assets have been determined based on fair less cost to sell approach which performed by independent professional valuers. Based on the assessment, the recoverable amount of right-of-use assets is higher than the carrying value of right-of-use assets, the management of the Group determines that there is no impairment on right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

14. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Dividend withholding tax RMB'000	Total RMB'000
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	(1,300)	(1,300)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB285,102,000 (2024: approximately RMB255,294,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Cumulative tax losses related to the Group's PRC subsidiaries of approximately RMB282,418,000 (2024: approximately RMB252,610,000) will expire within 5 years under current tax legislation.

15. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2025 RMB'000	2024 RMB'000
Raw materials	414	800
Work in progress	33	88
Finished goods	57,486	16,603
	57,933	17,491

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For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

16. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	85,447	105,819
Less: Allowance for expected credit loss	(42,150)	(17,304)
	43,297	88,515

As at 1 January 2024, trade receivables from contracts with customers (net of allowance for expected credit loss) amounted to RMB93,866,000.

Normally, the Group does not obtain collateral from customers. Credit evaluations are performed by the senior management on all customers with credit sales. In general, the credit period granted to customers is 30 to 120 days (2024: 30 to 120 days).

As of the end of the reporting period, the ageing analysis of trade receivables of the Group based on invoice date and net of allowance for expected credit losses, is as below:

	2025 RMB'000	2024 RMB'000
Within 90 days	26,990	53,428
91-120 days	3,272	6,830
121-180 days	7,537	19,748
181-365 days	5,498	8,509
	43,297	88,515

As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB52,833,000 (2024: approximately RMB42,662,000) which are past due as at the reporting date. Out of the past due balances, approximately RMB15,244,000 (2024: approximately RMB32,216,000) has been past due 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are still considered recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Other receivables	847	227
Deposits paid	9,467	34
Less: Allowance for expected credit loss	(11)	(1)
	10,303	260
Prepayments to suppliers	59	13,327
	10,362	13,587
Less: Deposits paid classified as non-current assets	(9,394)	–
	968	13,587

Details of assessment for expected credit losses of other receivable for the year ended 31 December 2025 and 2024 are set out in Note 25(a).

18. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2025 RMB'000	2024 RMB'000
Cash at bank and on hand	55,241	39,655

At 31 December 2025, cash and cash equivalents amount of approximately RMB19,706,000 (2024: approximately RMB36,693,000) were placed with banks in PRC. Remittance of funds out of PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

18. CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Bank loans RMB'000 (Note 19)	Amounts due to a director RMB'000 (Note 20(a))	Lease liabilities RMB'000 (Note 21)	Total RMB'000
At 1 January 2024	17,000	11,345	–	28,345
Change from financing cash flow, net	(612)	29,543	(19)	28,912
Other:				
Addition	–	–	206	206
Interest charged, net	612	–	3	615
Exchange alignment	–	–	3	3
At 31 December 2024 and 1 January 2025	17,000	40,888	193	58,081
Change from financing cash flow, net	(7,305)	3,727	(111)	(3,689)
Other:				
Addition	–	–	–	–
Interest charged, net	305	–	11	316
Exchange alignment	–	–	(5)	(5)
At 31 December 2025	10,000	44,615	88	54,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

19. BANK LOANS

As of the end of the reporting period, the bank loans of the Group were repayable within one year or on demand as follows:

	2025 RMB'000	2024 RMB'000
Bank loans		
– secured and fixed rate	10,000	17,000

Assets of the Group pledged to secure the bank loans comprise:

	2025 RMB'000	2024 RMB'000
Buildings (Note 11)	7,108	7,466
Right-of-use assets (Note 13)	1,973	2,061
	9,081	9,527

As at 31 December 2025, bank loans of approximately RMB10,000,000 are secured by right-of-use assets and buildings of net book value of approximately RMB1,973,000 and RMB7,108,000 respectively.

As at 31 December 2024, Bank loans of approximately RMB17,000,000 are secured by right-of-use assets and buildings of net book value of approximately RMB2,061,000 RMB7,466,000 respectively and guarantees by a director of the Company and an independent third party.

The effective interest rates per annum at the respective reporting dates, are as follows:

	2025 RMB'000	2024 RMB'000
Fixed-rate bank loans	2.75%	3.70%

At the end of the reporting period, bank loans were denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	10,000	17,000

In respect of bank borrowings with carrying amount of approximately RMB10,000,000 (2024: RMB17,000,000) as at 31 December 2025, the Group is required to comply with respective financial covenants in relation to the Group's consolidated tangible net worth shall not be less than certain threshold throughout the continuance of the relevant borrowings and/or as long as the borrowings are outstanding. The Group has complied with these covenants throughout the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

20. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	2025 RMB'000	2024 RMB'000
Trade payables (notes i)	361	2,694
Other payables and accruals	26,134	11,507
Amount due to a director (notes ii)	44,615	40,888
	71,110	55,089

notes:

- (i) In general, the credit period granted by suppliers is 30 days (2024: 30 days).

Set out below is an ageing analysis of the trade payables at the end of the reporting period based on relevant invoice dates:

	2025 RMB'000	2024 RMB'000
Within 3 months	361	2,694

- (ii) The amount due to a director, Mr. Ding Peiji, is unsecured, interest free and repayable on demand.

(b) Contract liabilities

	2025 RMB'000	2024 RMB'000
Current:		
Sales of bulk commodity products	15,634	–

Contract liabilities of the Group mainly arise from the advance payments made by customers while the products are yet to be provided.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

The Group applied the practical expedient of not disclosing the transaction price allocated to the unsatisfied performance obligations as the original expected duration of the relevant contracts is less than 12 months.

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21. LEASE LIABILITIES

	Present value of the minimum lease payments 2025 RMB'000	Total minimum lease payments 2025 RMB'000
Within one year	88	90
After one year but within two years	–	–
	88	90
Less: total future interest expenses		(2)
Present value of lease liabilities		88
Less: Amount due for settlement within 12 months (shown under current liabilities)		(88)
Amount due for settlement after 12 months (shown under non-current liabilities)		–

The weighted average incremental borrowing rates applied to lease liabilities range of 8.15%.

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22. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the “**Schemes**”) organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 12% to 21% (2024: 12% to 21%) of the eligible employees’ salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the “**MPF scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF 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. Contributions to the plan vest immediately.

The Group does not have any material obligation for the payment of retirement benefits except for those schemes described above.

As at 31 December 2025 and 2024, the Group has no forfeited contributions available to reduce the existing level of contributions.

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23. SHARE BASED PAYMENTS

Share Option Scheme

The Company adopted the Share Option Scheme on 27 December 2013 for the purpose of rewarding certain eligible persons for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on the Listing Date. Therefore, the Share Option Scheme was expired in 2023. Following the expiry of the scheme on 27 December 2023, no further share option can be granted, but the provisions of the scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the scheme.

Eligible participants of the Scheme include any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors or proposed director (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; any direct or indirect Shareholder of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e. 80,000,000 shares of the Company. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

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23. SHARE BASED PAYMENTS (Continued)

Share Option Scheme (Continued)

The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, where any grant of options or awards to an independent non-executive director or a substantial shareholder of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options or awards must be approved by shareholders of the Company in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules.

The exercise period of the share options granted is determinable by the directors, which period may commence on the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price share based of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

On 2 November 2018, the Company has granted, a total of 8,000,000 share options to certain directors, employees and others under Share Option Scheme.

For the year ended 31 December 2025 and 2024, no equity-settled share-based payment was recognised to consolidated statement of profit or loss and other comprehensive income.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

23. SHARE BASED PAYMENTS (Continued)

(a) The terms and conditions of the grants are as follows:

Share Option Scheme

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
2 November 2018	Batch 1	420,000	1 year after the grant date	10 years
2 November 2018	Batch 2	630,000	2 years after the grant date	10 years
Options granted to employees and others:				
2 November 2018	Batch 1	2,780,000	1 year after the grant date	10 years
2 November 2018	Batch 2	4,170,000	2 years after the grant date	10 years
		8,000,000		

(b) The following tables disclose details of the Company's share options held by the grantees and movements in such holdings under the share option scheme during the current year:

					Number of options				
					Outstanding at 1.1.2024, 31.12.2025 and 1.1.2025	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2025
		Date of grant	Exercise period	Exercise price (HK\$)					
Directors	Batch 1	2.11.2018	2.11.2018 to 1.11.2028	1.07	420,000	-	-	-	420,000
	Batch 2	2.11.2018	2.11.2018 to 1.11.2028	1.07	630,000	-	-	-	630,000
Employees and others	Batch 1	2.11.2018	2.11.2018 to 1.11.2028	1.07	2,780,000	(1,320,000)	-	-	1,460,000
	Batch 2	2.11.2018	2.11.2018 to 1.11.2028	1.07	4,170,000	(1,980,000)	-	-	2,190,000
Subtotal					8,000,000	(3,300,000)	-	-	4,700,000
Exercisable at the end of the year									4,700,000
Weighted average exercise price									1.07

The share options outstanding as at 31 December 2025 had an exercise price of HK\$1.07 (2024: HK\$1.07) and a weighted average remaining contractual life is 3 years (2024: 4 years).

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23. SHARE BASED PAYMENTS (Continued)

(c) Fair value of share options and assumptions

The fair value of services rendered by the directors and employees in return for the share options granted is measured by reference to the fair value of the share options granted. Set out below are the estimate of such fair value and the related assumptions based on the binomial model:

Share Option Scheme

	Batch 1	Batch 2
Fair value at measurement date (HK\$)	0.6441	0.6523
Exercise price (HK\$)	1.07	1.07
Expected volatility	56.512%	56.512%
Contractual option life	10	10
Expected dividends	0.00%	0.00%
Risk-free rate	2.44%	2.44%

The expected volatility is based on the historic volatility of comparable companies. Expected dividends are based on management's assumption. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under service condition. These conditions have not been taken account in the fair value measurements at the grant dates. There were no market conditions associated with the grants of the share options.

As at 31 December 2025, the Company had 4,700,000 (2024: 8,000,000) share options outstanding under the share option schemes, which represented approximately 2.1% (2024: 4.3%) of the Company's shares in issue as of that date.

(d) Terms of unexpired and unexercised share options at the end of the reporting Period

Exercise period	Exercise Price	2025 Number	2024 Number
2 November 2018 to 1 November 2028	HK\$1.07	4,700,000	8,000,000

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24. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend was paid or proposed during the year ended 31 December 2025 and 2024, nor has any dividend been proposed since the end of the reporting period.

(b) Share capital

(i) Authorised and issued share capital

	No. of share	2025 HK\$'000	RMB'000	No. of share	2024 HK\$'000	RMB'000
Authorised:						
At 1 January and 31 December (ordinary share of HK\$0.1 (2024: HK\$0.1 each))	1,000,000,000	100,000	79,380	1,000,000,000	100,000	79,380
Issued and fully paid:						
At 1 January	186,514,000	18,652	15,654	158,176,000	15,818	13,026
Issue of share upon placing (note i)	31,632,000	3,163	2,902	28,338,000	2,834	2,628
Issue of shares under share option scheme (note ii)	3,300,000	330	304	–	–	–
At 31 December	221,446,000	22,145	18,860	186,514,000	18,652	15,654

notes:

- (i) On 28 May 2024, the Company placed 28,338,000 placing shares at the placing price of HK\$0.70 per placing share. The net proceeds of approximately RMB18,029,000, after deducting the transaction costs of approximately RMB370,000, are intended to be used for general working capital of the Group. Details of the placing of shares were set out in the Company's announcements dated 8 May 2024 and 28 May 2024.

On 13 June 2025, the Company placed 31,632,000 placing shares at the placing price of HK\$1.35 per placing share. The net proceeds of approximately RMB38,490,000 after deducting the transaction costs of approximately RMB683,000, are intended to be used for further development the expanded scope of business of supply chain management business of the Group. Details of the placing of share were set out in the Company's announcements dated 26 May 2025, 29 May 2025 and 13 June 2025.

- (ii) During the year, the subscription rights attaching to 3,300,000 share options were exercised at the subscription price of HK\$1.07 per share, resulting in the issue of 3,300,000 shares for a total cash consideration of HK\$3,531,000 (equivalent to approximately RMB3,253,000). An amount of HK\$2,126,000 (equivalent to approximately RMB1,889,000) was transferred from the share option reserve to share premium upon the exercise of the share options.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Nature and purpose of reserve

(i) *Share premium*

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed. The Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Statutory reserve*

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) *Exchange reserve*

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside PRC which are dealt with in accordance with the accounting policies as set out in Note 2.

(iv) *Share-based payment reserve*

Share-based payment reserve represents the fair value of services rendered by employees of the Group to whom the Company has granted share options, and the fair value of services provided by parties other than employees to the Group and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*.

(v) *Capital reserve*

Think Wise Holdings Investment Limited ("**Think Wise**"), the immediate controlling party of the Group waived an outstanding amount of HK\$184,239,688 (equivalent to RMB145,549,000) due from Red Kids Group (Hong Kong) Limited, a subsidiary of the Group in January 2014. This deed of waiver has been reflected as a reduction of amount due to Think Wise and a corresponding increase in the capital reserve of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to capital ratio, being the Group's interest-bearing bank loans over its total equity, at 31 December 2025 was 9% (2024: 13%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, cash and bank balances, trade payables, accrued charges and other payables and bank loans. Details of these financial instruments and 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.

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets measured at amortised cost	99,447	128,396
Financial liabilities		
Amortised costs	81,198	72,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

(i) *Trade receivables*

Credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 16 and 17.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 13% of the total trade receivables as at 31 December 2025 (2024: 13%) were due from the Group's largest customer, and 13% (2024: 59%) of the total trade receivables were due from the Group's five largest customers respectively.

The maximum exposure to credit risk of the Group's financial assets is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2025 and 2024:

At 31 December 2025	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	6.4	32,614	2,352
Less than 1 month past due	13.0	3,778	492
Over 1 month but less than 3 months past due	15.0	11,466	1,717
Over 3 months past due	100.0	37,589	37,589
		85,447	42,150
At 31 December 2024	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	4.6	63,157	2,899
Less than 1 month past due	10.2	9,726	994
Over 1 month but less than 3 months past due	13.2	22,490	2,965
Over 3 months past due	100.0	10,446	10,446
		105,819	17,304

The expected 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

At 31 December 2025, the ECL of debtors with gross carrying amount of approximately RMB85,447,000 (2024: RMB105,819,000) was assessed by using provision matrix.

The closing loss allowances for including trade receivables as at 31 December 2025 and 2024 reconcile to the opening loss allowances as follows:

	Trade receivables lifetime ECL (not credit- impaired) RMB'000	Trade receivables lifetime ECL (credit- impaired) RMB'000	Total RMB'000
At 1 January 2024	9,516	8,041	17,557
Allowance for/(reversal of) expected credit loss recognised in profit or loss during the year, net	(2,658)	2,405	(253)
At 31 December 2024 and 1 January 2025	6,858	10,446	17,304
Allowance for expected credit loss recognised in profit or loss during the year, net	3,771	21,075	24,846
Transfer to credit-impaired	(6,068)	6,068	–
At 31 December 2025	4,561	37,589	42,150

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 1 year past due.

Impairment losses on trade receivables are presented as net allowance for expected credit loss within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

(ii) Other receivable

The following table shows the movement in 12m-ECL that has been recognised for other receivables:

	12m-ECL RMB'000
At 1 January 2024	17
Reversal of allowance for expected credit loss recognised in profit or loss during the year, net	(16)
At 31 December 2024 and 1 January 2025	1
Allowance for expected credit loss recognised in profit or loss during the year, net	10
At 31 December 2025	11

The credit quality of the other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties.

(iii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk

The board of directors of the Company is responsible for cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

All non-interest-bearing financial liabilities of the Group are carried at amount not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of respective reporting period.

The following tables show the remaining scheduled maturities at the end of respective reporting period of the Group's non-derivative financial liabilities, which are based on scheduled undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date of the Group can be required to pay:

At 31 December 2025

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non-derivative financial liabilities					
Trade and other payables	–	71,110	–	71,110	71,110
Bank loans	2.8%	10,280	–	10,280	10,000
Lease liabilities	8.2%	90	–	90	88
		81,480	–	81,480	81,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

At 31 December 2024

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non-derivative financial liabilities					
Trade and other payables	–	55,089	–	55,089	55,089
Bank loans	3.7%	17,315	–	17,315	17,000
Lease liabilities	8.2%	113	94	207	192
		72,517	94	72,611	72,282

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate profiles as monitored by management are set out below.

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	2025		2024	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank loans	2.75%	10,000	3.70%	17,000

Interest rate risk from bank loans is considered insignificant given these loans are at fixed interest rates.

Fair value risk arising from these bank loans is considered insignificant given these loans have short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(d) **Currency risk**

Except for operations of the Company and other investment holding companies outside the PRC, the Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management considers the Group's exposure to currency risk is insignificant.

(e) **Fair values**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2025 and 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

26. MATERIAL RELATED PARTY TRANSACTIONS

The directors are of the view that the following are related parties of the Group:

Name of party	Relationship
Mr. Ding Peiji	Ultimate controlling party

(a) Material transactions with related parties

In addition to the related party transactions disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions during the year ended 31 December 2025 and 2024.

Guarantee provided by a related party

Secured bank loans of RMB17,000,000 as at 31 December 2024 were guaranteed by Mr. Ding Peiji (Note 19).

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 8 and the highest paid employees as disclosed in Note 9, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	2,899	3,474
Contributions to retirement benefit scheme	54	54
	2,953	3,528

Total remuneration is included in "staff costs" (Note 6(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

27. FINANCIAL POSITION OF THE COMPANY

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Investments in subsidiaries		112,378	174,507
Current assets			
Cash and cash equivalents		15,780	619
		15,780	619
Current liabilities			
Other payables and accruals		46,472	42,657
Net current liabilities		(30,692)	(42,038)
Total assets less current liabilities		81,686	132,469
Equity			
Share capital	24(b)	18,860	15,654
Reserves	24	62,826	116,815
Total equity		81,686	132,469

Approved and authorised for issue by the board of directors on 30 March 2026.

Ding Peiji
Director

Liu Min
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

28. RESERVES OF THE COMPANY

	Share Premium RMB'000 24(c)(i)	Share- based payment reserve RMB'000 24(c)(iv)	Exchange reserve RMB'000 24(c)(iii)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	304,172	4,571	21,389	(233,429)	96,703
Loss for the year	–	–	–	(2,740)	(2,740)
Other comprehensive income	–	–	7,451	–	7,451
Issue of placing shares, net of expenses	15,401	–	–	–	15,401
Balance at 31 December 2024 and 1 January 2025	319,573	4,571	28,840	(236,169)	116,815
Changes in equity for the year 2025:					
Loss for the year	–	–	–	(81,202)	(81,202)
Other comprehensive loss	–	–	(11,324)	–	(11,324)
Issue of shares under share option scheme	4,838	(1,889)	–	–	2,949
Issue of placing shares, net of expenses	35,588	–	–	–	35,588
Balance at 31 December 2025	359,999	2,682	17,516	(317,371)	62,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

29. INVESTMENTS IN SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries as at 31 December 2025 and 2024 which principally affected the results or assets of the Group.

Name of company	Place of Incorporation and business	Issued and paid up capital	Particulars of Group's effective Interest	Proportion of Ownership interest		Principal activity
				Held by the Company	Held by a Subsidiary	
Red Kids (China) Co., Ltd.*	PRC	HK\$460,000,000	100%	–	100%	Design manufacture and sales of children apparel products
Miko (Shanghai) Apparels Co., Ltd.*	PRC	HK\$20,000,000	100%	–	100%	Design manufacture and sales of children apparel products
Shandong Luger Trading Co., Ltd.*	PRC	US\$10,000,000	100%	–	100%	Trading of bulk commodity Products
Chongqing Jieyibao Technology Co., Ltd*	PRC	US\$30,000,000	100%	–	100%	Trading of bulk commodity Products
Jiangsu Jewel Trade LLC*	PRC	US\$10,000,000	100%	–	100%	Trading of bulk Commodity Products
Quanzhou Hongyu Innovative Business Development Limited	PRC	RMB46,000,000	100%	–	100%	Property holding

* These entities are wholly foreign owned enterprises established in the PRC. The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2024, the Group entered into new lease agreement for the use of office premises. On the lease commencement, the Group recognised right-of-use asset and lease liabilities of approximately RMB206,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

31. SUBSEQUENT EVENTS

Subsequent to the year ended 31 December 2025, the Group's indirect wholly-owned subsidiary Red Kids Group (Hong Kong) Limited entered into a Sale and Purchase Agreement on 2 December 2025 with Fujian Quanzhou Langyaoda Investment Company Limited (wholly-owned by Mr. Ding Peiji, the Company's Executive Director and Chairman) to conditionally dispose of the entire equity interest of Quanzhou Hungyu Innovative Business Development Limited (the Target Company), an indirect wholly-owned property-holding subsidiary of the Company, at a consideration of RMB75.7 million (equivalent to approximately HK\$83.2 million).

This disposal constitutes a major and connected transaction under the Hong Kong Stock Exchange Listing Rules. The Company convened an extraordinary general meeting (EGM) on 30 January 2026, at which the independent shareholders approved the disposal and the contemplated transactions. The purchaser has undertaken to continue leasing the Group's operational properties until 30 June 2027 upon completion. As at the date of approval of these financial statements, the disposal is yet to be completed.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2026.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2025 (Expressed in Renminbi unless otherwise indicated)

The following table summarises the consolidated results of the Group for each of the five years ended 31 December:

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Turnover	608,415	389,137	150,614	142,415	136,685
Gross Profit	13,991	19,120	25,534	27,203	31,474
Loss from operations	(58,533)	(27,261)	(10,687)	(6,347)	(20,335)
Loss before taxation	(58,849)	(27,876)	(12,671)	(10,321)	(24,989)
Loss for the year	(59,014)	(28,417)	(12,716)	(10,321)	(24,989)
Non-current assets	56,098	46,810	44,590	87,273	94,555
Current assets	157,439	159,248	173,963	150,867	121,984
Current liabilities	96,832	72,191	73,417	95,970	63,497
Net current assets	60,607	87,057	100,546	54,897	58,487
Net assets	115,405	132,476	143,836	140,870	138,235
Gross profit margin	2.3%	4.9%	17.0%	19.1%	23.0%
Operating loss margin	(9.6%)	(7.0%)	(7.1%)	(4.5%)	(14.9%)
Net loss margin	(9.7%)	(7.3%)	(8.4%)	(7.2%)	(18.3%)
Current ratio	1.6 times	2.2 times	2.4 times	1.6 times	1.9 times
Gearing ratio	8.7%	12.8%	11.8%	12.1%	31.2%