

杉杉品牌運營股份有限公司

Shanshan Brand Management Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1749



2025
ANNUAL REPORT

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Corporate Profile

Ningbo Shanshan Garment Brand Management Co., Ltd. (“**Shanshan Garment Brand**” or the “**Company**”), the predecessor of Shanshan Brand Management Co., Ltd., was established as a limited liability company in the People’s Republic of China (the “**PRC**”) on 23 August 2011. On 18 May 2016, the Company was converted into a joint stock company with limited liability and renamed as Shanshan Brand Management Co., Ltd.. The address of its registered office and headquarters is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC. The overseas-listed-foreign-invested shares of the Company (the “**H Shares**”) have been listed (the “**Listing**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 June 2018.

The business of our Company primarily involves the design, marketing and sale of formal and casual business menswear in the PRC under two brands, namely FIRS and SHANSHAN, each having distinct product features and brand positioning that are tailored to the preferences of male consumers in particular age and income groups and provide quality menswear products for them.



CORPORATE NAME

Shanshan Brand Management Co., Ltd.

LISTING INFORMATION

Place of listing: Main Board of the Stock Exchange
Stock code: 1749

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Yefei (Chairman)
Mr. Cao Yang (Vice Chairman)
Ms. Yan Jingfen
Ms. Zhou Yumei

Non-executive Directors

Mr. Mao Weiyong
Mr. Wang Mingming

Independent Non-executive Directors

Mr. Chow Ching Ning
Mr. Wang Yashan
Mr. Wu Xuekai

SUPERVISORS

Ms. Zhou Danna
Mr. Wang Yijun
Ms. Yang Yi

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen
Ms. Cheng Lucy

AUTHORISED REPRESENTATIVES

Ms. Yan Jingfen
Ms. Cheng Lucy

BOARD COMMITTEES

Audit Committee

Mr. Chow Ching Ning (Chairman)
Mr. Wang Yashan
Mr. Wu Xuekai

Remuneration Committee

Mr. Wang Yashan (Chairman)
Ms. Yan Jingfen
Mr. Wu Xuekai

Nomination Committee

Mr. Wu Xuekai (Chairman)
Ms. Zhou Yumei
Mr. Wang Yashan

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

238 Yunlin Middle Road
Wangchun Industrial Park
Ningbo, Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

COMPANY'S WEBSITE

<http://www.chinafirs.com>

INDEPENDENT AUDITOR

BDO Limited
*Certified Public Accountants and
Public Interest Entity Auditor*
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law
DLA Piper Hong Kong
25/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law
Shu Jin Law Firm
11-12/F, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen
Guangdong Province
The PRC

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Ningbo Yinzhou Sub-branch
Bank of China
Ningbo Yinzhou Sub-branch
China Construction Bank
Ningbo Sub-branch

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

Financial Summary

| | | Year ended 31 December | | | | |
|-------------------------------|-----------|------------------------|-----------|-----------|---------|---------|
| | | 2025 | 2024 | 2023 | 2022 | 2021 |
| Revenue | RMB'000 | 862,801 | 1,006,620 | 1,060,046 | 881,200 | 993,032 |
| Profit for the year | RMB'000 | 7,896 | 33,174 | 31,605 | 16,006 | 8,635 |
| Profit attributable | | | | | | |
| to the owners of the Company | RMB'000 | 7,896 | 33,174 | 31,605 | 16,006 | 12,372 |
| Gross profit margin | % | 38.8% | 37.7% | 37.5% | 43.8% | 48.9% |
| Profit margin from operations | % | 0.9% | 3.3% | 3.0% | 1.8% | 0.9% |
| Profit margin attributable | | | | | | |
| to the owners of the Company | % | 0.9% | 3.3% | 3.0% | 1.8% | 1.2% |
| Earnings per share | | | | | | |
| – Basic and diluted | RMB cents | 6 | 25 | 24 | 12 | 9 |
| Final dividend per share | RMB cents | – | 8 | 8 | 4 | – |

| | | As at 31 December | | | | |
|----------------------------------|--|-------------------|---------|---------|---------|---------|
| | | 2025 | 2024 | 2023 | 2022 | 2021 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | | 251,211 | 164,165 | 103,037 | 76,832 | 109,895 |
| Current assets | | 541,251 | 655,386 | 623,352 | 681,745 | 715,534 |
| Inventories | | 222,361 | 278,222 | 230,364 | 311,939 | 389,728 |
| Trade and bills receivables | | 176,460 | 239,826 | 223,122 | 205,409 | 174,973 |
| Cash and cash equivalents | | 110,065 | 106,457 | 143,224 | 114,688 | 84,265 |
| TOTAL ASSETS | | 792,462 | 819,551 | 726,389 | 758,577 | 825,429 |
| Current liabilities | | 448,185 | 525,604 | 450,911 | 511,195 | 592,242 |
| Trade and bills payables | | 138,899 | 216,080 | 151,563 | 155,326 | 160,397 |
| Interest-bearing bank borrowings | | 170,000 | 145,000 | 135,000 | 157,500 | 172,878 |
| Non-current liabilities | | 70,777 | 17,670 | 21,703 | 19,877 | 21,689 |
| TOTAL LIABILITIES | | 518,962 | 543,274 | 472,614 | 531,072 | 613,931 |

Note: The figures of 2021 are for the Group's continuing operations and exclude the figures relating to Lubiam (Ningbo) Apparel Co., Ltd.* (寧波魯彼昂姆服飾有限公司) ("Lubiam Apparel") (a non-wholly-owned subsidiary of the Company which was voluntarily liquidated), while other years' figures include both continuing and discontinued operations.

CHAIRMAN'S STATEMENT



Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I present the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2025 (the “**Year**” or “**FY2025**”).

In FY2025, the global apparel industry experienced a modest recovery amid a complex environment, with rational consumption and evident demand divergence, with sportswear, functional apparel, and high-value-for-money categories demonstrating greater resilience. While terminal consumption and channel confidence have been gradually restored, intensified market competition, inventory pressure and cautious consumption still restrict the overall recovery of the industry, showing a pattern of weak recovery, strong differentiation and emphasis on efficiency. According to data from the National Bureau of Statistics, in 2025, the revenue of garment and apparel enterprises above designated scale decreased by 12.7% year-on-year, while their total profits fell by 27.3% year-on-year.

In the FY2025, under the annual business strategy of “**high-quality development**”, we centered on the three core elements of talent, brand and capital, and strive to create a multi-brand, multi-industry, diversified, high-return and high-growth development model. Despite the challenging industry environment and operational pressures, all employees have remained dedicated to their duties and responded with full commitment, the Group’s operating revenue for the Year amounted to RMB862.8 million, representing a year-on-year decrease of approximately 14.3% as compared with that for the year ended 31 December 2024 (“**FY2024**”). Net profit decreased by approximately 76.2% from RMB33.2 million in FY2024 to RMB7.9 million in the Year.

In FY2025, the Company implemented various strategic management initiatives centered around its medium-to-long-term strategic objectives: Securing the top market share in China’s men’s suit sector and reclaiming the leading position in the Chinese men’s apparel market. Specific measures are as follows:

Chairman's Statement

1. DEFINE MEDIUM-TO-LONG-TERM STRATEGIC OBJECTIVES AND COMPLETE CORE STRATEGIC DEPLOYMENT INVESTMENTS

Formally established and steadfastly pursued the “Two First Place” as the medium-to-long-term core strategic objectives, charting a clear course for the Company's development. Even amid industry-wide downturns, the Company steadfastly advanced investment and construction in its 5G new quality productivity industrial park, investing heavily in state-of-the-art production equipment and digital management systems. This initiative aims to establish a premier digital benchmark factory in China's men's apparel sector, building the core hardware and technological infrastructure required to achieve its strategic objectives. At the same time, the Company actively recruited top talent across the industry, focusing on introducing core talents in management and technology, and reserve core human resources for strategic landing. All inputs and actions were promoted around the core strategic objectives, and the strategic focus was remarkable.

2. FULLY EMBRACE DIGITALIZATION TO PROPEL ENTERPRISES TOWARD DATA-DRIVEN TRANSFORMATION

We have vigorously advanced digital transformation, successfully implementing two core management systems: a supply chain management system and a MES production execution system initially establishing data connectivity across the Company's entire value chain. This initiative has driven digital integration across research and development, production, supply chain, retail, and decision-making processes, enabling a pivotal shift from “experience-driven” to “data-driven” operations for the enterprises, laying a robust technological foundation for achieving flexible production, precision marketing, and seamless cross-departmental collaboration, with the framework for digital management now largely established.

3. DRIVE DUAL UPGRADES IN PRODUCTS AND CHANNELS TO ADAPT TO EVOLVING MARKET CONSUMPTION DEMANDS

On the product side: Establishing a product research and development strategy centered on signature suit offerings and multi-scenario styling as key drivers, we are advancing product development toward series-based and scenario-driven approaches to align with today's diverse consumer scenario needs. By front-loading merchandise planning and design initiatives, we have allocated ample time for product development and rapid market response, thereby optimizing the product research and development process. Through supply chain optimization and adjustments to product categories and structures, we have driven improvements in product quality, steadily advancing the cultivation of core product competitiveness. On the channel side, the core brand SHANSHAN launched its new-concept stores, receiving positive market feedback and laying the groundwork for brand channel image upgrades. The core brand FIRS focused on opening new stores and renovating/expanding existing ones in key commercial districts of major cities, completing the layout and upgrade of core channels. This enhanced the brand's positioning capabilities in prime commercial districts.

4. ALIGN WITH STRATEGIC REQUIREMENTS TO COMPLETE ORGANIZATIONAL OPTIMIZATION AND CORE TALENT ACQUISITION

Guided by the principle that “Corporate Success = Strategy × Organizational Capability”, we implemented targeted organizational adjustments across relevant business units and functional departments around the requirements of the landings of core strategy to optimize structural frameworks and departmental responsibilities, ensuring greater alignment with business development needs. Simultaneously, we have undertaken multi-dimensional recruitment efforts targeting core talent within the apparel industry. This has resulted in the successful acquisition of key personnel across multiple critical roles, including business leaders, designers, merchandisers, technical specialists, and factory managers, which have filled vital talent gaps, enhancing the team's professional expertise and industry alignment, thereby providing robust support for strategic execution.

In summary, through a series of management initiatives across four key dimensions: strategic layout, digital transformation, product channel upgrades, and organizational talent development, the Group has achieved phased results in the medium to long term. In the second half of the year, the Group faced overall pressure from market demand and intense competition among apparel brands, resulting in reduced order volumes from distributors and workwear sales channels. Consequently, the Group experienced a significant decline in revenue and net profit for FY2025. During the Year, there were no significant changes in the main business and structure of the Group.

In 2026, the Group will continue to adhere to its mission and original intention of “creating a better life”, uphold the development vision of “building a century-old classic fashion industry platform”, and continue to expand its business through diversification, multi-partnership and multi-channel operation mode by revolving around its two core national brands, FIRS and SHANSHAN, deepening our commitment to the entire industrial chain to achieve qualitative improvements, enabling steady growth in the Group's operating profit and creating greater value for shareholders.

Luo Yefei

Chairman of the Board

Ningbo, the PRC, 20 March 2026

Management Discussion and Analysis

BUSINESS REVIEW

In 2025, the apparel industry navigated forward under overall pressure with intensifying differentiation. Revenue and profits declined for enterprises above designated size. Performance among listed companies in the menswear sector diverged, with leading brands gradually increasing market share while trailing enterprises faced accelerated elimination, driving continuous industry consolidation. Simultaneously, the industry's competitive logic shifted as traffic dividends peaked. The focus transitioned from scale competition to system efficiency, as models reliant solely on marketing and channel expansion reached their limits. According to data from the National Bureau of Statistics, in 2025, the revenue of garment and apparel enterprises above designated scale decreased by 12.7% year-on-year, while their total profits fell by 27.3% year-on-year.

In 2025, the Group adhered to the strategic core principle of “high-quality development”, focusing on the in-depth management of its three core assets: “Talent, Brand, Capital”. We are committed to creating a development model characterized by multiple brands, diverse business formats, diversification, high returns, and strong growth. Rooted in our brand's birthplace, we will concentrate on core markets and key provinces and cities, continuously advancing the “One Core, Two Wings” development model. Online and offline development will advance in tandem. The Group will deepen the implementation of its flagship suit initiative, leveraging product upgrades to establish a foothold in new marketing channels, new consumption scenarios, and new consumer segments. This will drive steady growth across the Company's overall operations and enhance the value of its core assets.

In 2025, the Group continued to deepen the cultural development of the Shanshan Suits brand, focusing on enhancing its cultural value. In March, leveraging the momentum of the 2025 Beijing China International Fashion Week, the Group once again partnered with the China Fashion Association to successfully host the “Eastern Gentleman” themed Chinese Suit Trend Presentation Show. Brand ambassador Mr. Hu Bing led the opening walk, redefining the classic image of Chinese suits through his modern aesthetic and professional performance, creating a highlight moment at this year's fashion week. In November, the Group hosted the “Timeless Elegance, Celebrating Excellence” brand meet-and-greet at Shanshan Outlet in Jinzhong, Shanxi. Mr. Hu Bing attended in person, deeply interpreting the gentlemanly spirit and timeless quality of Shanshan Suits. This event effectively strengthened the emotional connection between the brand and its core customer base, achieving dual growth in regional sales and brand visibility.

In 2025, the Group continued to drive brand image upgrades and narrative innovation. Through fashion events, high-impact communications, and a digital content matrix, it comprehensively enhanced brand awareness and reputation, significantly boosting market influence and cultural penetration. Shanshan Suits has established itself as a benchmark for the revitalization of domestic brands, gaining widespread recognition within the industry and consumer market.

Management Discussion and Analysis

This year, the Group's Shanshan Brand 5G New Productivity Industrial Park project in Wangchun Industrial Park, Haishu District, Ningbo City, Zhejiang Province, is under full-scale construction. It aims to establish a modern digital and intelligent industrial park integrating smart production, intelligent warehousing, new retail livestreaming bases, and brand incubation. It will provide high-quality, cost-effective suits and shirts for the omni-channel marketing network, further enhancing brand recognition and market competitiveness. The main structure of the industrial park project has been completed and is scheduled for final inspection and production commencement in 2026.

Based on the continuous optimization of the terminal channel layout, the Group deepened its efforts on key regional markets, upgraded the brand image, and improved store efficiency and people efficiency. The Group adopted a series of effective measures, resulting in the number of retail terminal stores of the Group being adjusted from 662 as at 31 December 2024 to 584 as at 31 December 2025, including 394 for FIRS and 190 for SHANSHAN, representing a year-on-year decrease in the number of retail stores of approximately 11.8%. Meanwhile, the Group has targeted to empower terminal stores through the plan of "thousands of stores in hundreds of cities", membership system construction and retail skills training. Additionally, the Group optimized its e-commerce platform operations this year, specifically addressing live-streaming stores and private domain businesses that demonstrated low efficiency and poor return on investment.

The Board believes that the various strategic initiatives implemented by the Group in FY2025 are effective. However, due to the overall pressure on the industry's operating environment, the operating revenue of the Group amounted to RMB862.8 million for the Year, representing a decrease of approximately 14.3% as compared to RMB1,006.6 million for the FY2024, the Group's profit decreased by approximately 76.2% from RMB33.2 million in FY2024 to RMB7.9 million for the Year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales of apparel to distributors, direct sales, franchisee sales, sales of work uniform and trademark sub-licensing income, etc. For the Year, total revenue of the Group decreased by approximately 14.3% to RMB862.8 million from RMB1,006.6 million for FY2024, primarily attributable to (i) the Group was affected by factors such as the overall market demand pressures and marketing policy adjustments, resulting in a decrease in revenue from distributors and work uniform sales channels of RMB32.8 million and RMB25.6 million respectively; and (ii) optimized live-streaming stores and private domain operations, resulting in a 17.2% decrease in e-commerce platform sales revenue for the Year. Please refer to the sections headed “Revenue by sales channels” and “Revenue by brands” below for details.

Revenue by sales channels

The breakdown of the total revenue by sales channels is as follows:

| | Year ended 31 December | | | |
|---------------------------------------|------------------------|-------------|-----------|------|
| | 2025 | | 2024 | |
| | RMB'000 | % | RMB'000 | % |
| Sales to distributors | 69,576 | 8.1 | 102,361 | 10.2 |
| Direct sales | | | | |
| E-commerce platforms | 304,359 | 35.3 | 367,750 | 36.5 |
| Self-operated retail stores | 139,769 | 16.2 | 139,074 | 13.8 |
| Franchisee sales | | | | |
| Cooperative arrangements | 141,880 | 16.4 | 166,875 | 16.6 |
| Work uniform | 100,601 | 11.7 | 126,176 | 12.5 |
| Trademark sub-licensing income | 106,616 | 12.3 | 104,384 | 10.4 |
| Total | 862,801 | 100 | 1,006,620 | 100 |

Management Discussion and Analysis

Revenue by brands

The breakdown of the total revenue by brands is as follows:

| | Year ended 31 December | | | |
|-----------------|------------------------|-------------|-----------|------|
| | 2025 | | 2024 | |
| | RMB'000 | % | RMB'000 | % |
| FIRS | 594,782 | 68.9 | 710,005 | 70.5 |
| SHANSHAN | 265,400 | 30.8 | 286,066 | 28.4 |
| Others | 2,619 | 0.3 | 10,549 | 1.1 |
| Total | 862,801 | 100 | 1,006,620 | 100 |

Gross profit

For the Year, gross profit of the Group decreased by approximately 11.8% to RMB334.5 million from RMB379.2 million for FY2024, primarily attributable to the decrease in revenue by 14.3% for the Year, resulting in the decrease of gross profit by RMB44.7 million.

Other revenue

Other revenue mainly comprises bank interest income and gain on sale of raw materials of the Group. For the Year, other revenue of the Group decreased by approximately 45.5% to RMB0.6 million from RMB1.1 million for FY2024, mainly due to declined in interest income.

Other gains and losses, net

Other gains, net for the Year amounted to RMB3.4 million, which was mainly attributable to the receipt of a penalty payment of RMB 3.3 million from a customer with whom the partnership was terminated following its failure to meet the contractual targets.

Other losses, net for FY2024 amounted to RMB3.1 million, which was mainly attributable to the Group's charitable donation of winter relief supplies to Jishishan County, Linxia, Gansu Province, China, following an earthquake.

Selling and distribution expenses

Selling and distribution expenses mainly include the Group's commission sharing to franchisees, store and e-commerce expenses, staff costs, advertising and promotional expenses and renovation costs.

Management Discussion and Analysis

For the Year, selling and distribution expenses of the Group increased by approximately 0.7% to RMB283.8 million from RMB281.8 million for FY2024, which remained relatively stable.

Administrative expenses

Administrative expenses mainly include staff costs, travelling expenses, office rental expenses and legal and professional fees.

For the Year, administrative expenses of the Group decreased by approximately 13.1% to RMB36.4 million from RMB41.9 million for FY2024, mainly due to enhanced internal cost management and decrease in professional fees and travelling expenses.

Impairment loss on property, plant and equipment

The impairment loss on property, plant and equipment of the Group increased from RMB0.8 million for FY2024 to RMB1.1 million for the Year.

Impairment loss on right-of-use assets

The impairment loss on right-of-use assets of the Group decreased from RMB1.9 million for FY2024 to RMB0.2 million for the Year.

Impairment loss on trade receivables, net

For the Year, impairment loss on trade receivables of the Group remained stable as compared with FY2024.

Impairment loss on deposits and other receivables, net

The impairment loss on deposits and other receivables of the Group during the Year remained stable as compared with FY2024.

Management Discussion and Analysis

Finance costs

Finance costs mainly include interest expenses on bank borrowings of the Group and interest expenses on lease liabilities.

For the Year, finance costs of the Group decreased by approximately 21.4% to RMB4.4 million from RMB5.6 million for FY2024. Such decrease was mainly due to the capitalized interest for construction in progress for the current year amounted to RMB2.5 million.

Income tax expense

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC income tax laws and regulations. The income tax expense for the Year decreased to RMB3.9 million from RMB11.3 million for FY2024, primarily due to profit before income tax decreased this year.

Profit for the year

For the Year, the profit recorded by the Group decreased to RMB7.9 million from RMB33.2 million for FY2024, mainly due to reduced gross profit resulting from decreased revenue for the Year, coupled with relatively inflexible sales and distribution expenses and administrative expenses.

WORKING CAPITAL MANAGEMENT

| | Year ended 31 December | |
|---|------------------------|------|
| | 2025 | 2024 |
| Average inventory turnover days | 173 | 148 |
| Average trade receivables turnover days | 88 | 84 |
| Average trade payables turnover days | 123 | 107 |

Average inventory turnover days of the Group increased from 148 days as at 31 December 2024 to 173 days as at 31 December 2025, mainly due to a decline in sales revenue that caused a delay in the clearance of products.

Average trade receivables turnover days of the Group increased from 84 days as at 31 December 2024 to 88 days as at 31 December 2025, which remained relatively stable.

Average trade payables turnover days of the Group increased from 107 days as at 31 December 2024 to 123 days as at 31 December 2025, mainly due to credit periods offered by suppliers were extended.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid financial position for the Year. Cash and cash equivalents of the Group increased from RMB106.5 million as at 31 December 2024 to RMB110.1 million as at 31 December 2025, and its pledged deposits decreased to RMB2.6 million as at 31 December 2025 from RMB10.7 million as at 31 December 2024. The cash and cash equivalents were mainly denominated in Renminbi (“**RMB**”).

As at 31 December 2025 and 31 December 2024, total bank borrowings of the Group amounted to approximately RMB222.7 million and RMB145.0 million, respectively. As at 31 December 2025, all bank borrowings were denominated in RMB. The details for the Group’s bank borrowings are set out in note 29 to the consolidated financial statements in this report. Gearing ratios (total borrowings over total assets of the Group) of the Group were approximately 28.1% and 17.7% as at 31 December 2025 and 31 December 2024, respectively.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a solid liquidity position throughout the Year. The Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately so that the Group will have adequate cash for its business operation and business development.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the Group’s transactions are denominated in RMB. As such, the Company does not have significant exposure to foreign exchange fluctuation.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 300 employees (31 December 2024: 265 employees). Employee costs, including Directors’ emoluments, amounted to approximately RMB41.9 million for the Year (2024: RMB42.4 million). The remuneration policy for the Directors and the senior management focuses on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the performance of the Directors and individual senior management. The Group provides and arranges on-the-job training for the employees.

The remuneration committee of the Board (the “**Remuneration Committee**”) reviews and recommends to the Board for consideration and approval of the remuneration and compensation packages of the Directors and the senior management with reference to the salaries paid by comparable companies in the market, time commitment, responsibilities of the Directors and the senior management as well as the Group’s financial performance.

Management Discussion and Analysis

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental friendly and sustainable development by abiding by relevant laws and regulations, including the “Environmental Protection Law of the People’s Republic of China” and the regulations implemented by the environmental protection bureaus of the relevant PRC local governments during its daily operation. The Group has also attained the ISO14001 “Environment Management Systems” Certification. An environmental, social and governance report of the Group is issued as part of the annual report of the Company for the Year, in accordance with the Environmental, Social and Governance Reporting Code as contained in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), which will be published on the respective websites of the Stock Exchange and the Company.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not hold any significant investments, and did not conduct any material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As disclosed in the circular of the Company dated 2 December 2023, the estimated total costs of the industrial park project was RMB280 million (including the land use rights of a land located in Wangchun Industrial Park, Haishu District, Ningbo City, Zhejiang Province, the PRC (the “**Land Use Rights**”). As at 31 December 2025, the Company signed contracts for the construction of the industrial park project in the amount of RMB200,268,854 in total (including the consideration for land use rights). Save as disclosed above, the Company did not have any other plan for material investments or capital assets as of 31 December 2025. The Company’s expected source of funding for the coming year will tentatively come from the Group’s existing internal resources and from bank borrowings for the development of the industrial park project.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 31 December 2025 as compared with that as at 31 December 2024.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2025 (31 December 2024: Nil).

Management Discussion and Analysis

PLEDGE OF ASSETS

As of 31 December 2025, the Group had pledged deposits of RMB2.6 million as a guarantee deposit for the industrial park project construction and a performance bond for work uniforms. Bank borrowings of RMB52.7 million under non-current liabilities were secured by the Group's land use rights (31 December 2024: pledged deposits of RMB10.7 million as guarantee deposits for bills payables and project construction of the industrial park project). Except for the above-mentioned pledged deposits, there were no other assets pledged as security by the Group.

MANDATORY CONDITIONAL CASH OFFER

On 30 June 2025 (after trading hours), Mr. Luo Yefei (the **"Offeror"**) entered into the equity transfer agreements (the **"Equity Transfer Agreements"**) with the sellers, pursuant to which the Offeror agreed to acquire and the sellers agreed to sell an aggregate of 46.50% of the share capital of Ningbo Liankangcai Brand Management Co., Ltd.* (寧波聯康財品牌管理有限責任公司) (**"Ningbo Liankangcai"**) (the **"Acquisition"**), at an aggregate consideration of RMB1,116,558.00. Completion of Acquisition took place on the date of the Equity Transfer Agreements, being 30 June 2025 (the **"Completion"**).

Immediately following the Completion, the Offeror, Shaanxi Maoye Gongmao Co., Ltd.* (陝西茂葉工貿有限公司) (**"Shaanxi Maoye"**) and Ningbo Liankangcai owned an aggregate of 52,021,000 domestic shares of the Company (the **"Domestic Shares"**), representing approximately 39.00% of the total issued shares of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make mandatory conditional general offers in cash for all the issued Domestic Shares and H Shares other than those already owned or agreed to be acquired by the Concert Group in accordance with the Takeovers Code.

The Offeror is making the Domestic Share Offer for each Domestic Share RMB0.1000 in cash, and SDICS International Securities (Hong Kong) Limited, on behalf of the Offeror, is making the H Share Offer for each H Share HK\$0.1097 in cash in compliance with the Takeovers Code (determined by reference to the share capital consideration under the Ningbo Liankangcai Equity Transfer Agreement and the exchange rate as of 30 June 2025).

The Offeror and the Company jointly issued the composite offer and response document on 12 September 2025, at which time the Offers became open for acceptance. As of 4:00 p.m. on 3 October 2025, the conditions of the Offers had not been fulfilled. The Offeror and the Company jointly announce that the Offers lapsed on 3 October 2025, and will not be extended or amended.

* *for identification purpose only*

Management Discussion and Analysis

OUTLOOK AND STRATEGIES

In 2026, the Group will adopt “Pragmatic Innovation and Quality-Driven Growth” as its core strategic framework, establishing the “Two New Initiatives and Four Quality Dimensions” as its overarching development direction. Comprehensive work plans will be formulated across three key dimensions: core project implementation, quality enhancement across four dimensions, and execution safeguards. We will strive to achieve our medium-to-long-term strategic goals of securing the top market share in China’s men’s suit sector and reclaiming the leading position in China’s men’s apparel industry. Specific plans are outlined below:

- I. Define Core Performance Targets. Develop differentiated growth strategies for each Business Channel Segment to drive the Company’s transition from scale expansion to system efficiency competition. Establish precise growth objectives and implementation pathways tailored to each unit’s operational characteristics.
- II. Execute Core Projects of the “Two New Initiatives” Strategy. Commission the 5G New Productivity Industrial Park, establish factory management systems, and integrate cross-system processes spanning research and development, production, supply, and sales. Building a world-class digital benchmark factory in the domestic men’s apparel sector. Incubate and launch the new fashion-sports brand OakAura, with core objectives of “first-season product launch, inaugural brand exposure, and debut experiential retail outlet” to establish foundational brand operations.
- III. Advancing Core Initiatives for “Six-Pronged Quality Enhancement”. Product Quality Enhancement: Deepening expertise in core suit categories, upgrading patterns, participating in upstream fabric research and development, and launching the “Craftsmanship Initiative” to cultivate specialized talent, thereby elevating customer-perceived value and professional barriers. Brand Quality Enhancement: Shifting from “selling products” to “delivering value”, strategically deploying brand communications to establish industry reputation and become a benchmark for value leadership. Channel Quality Enhancement: Focusing on precise deployment in core regions, and significantly enhancing per-store profitability. Talent Quality Enhancement: Strengthening talent pipeline development through balanced recruitment and cultivation, fostering professionals via hands-on experience. Management Quality Enhancement: Optimizing processes, refining systems, and establishing efficient collaboration mechanisms. Leveraging digital management platforms to break down departmental silos and enhance service awareness in back-office operations. Operational Quality Enhancement: Precisely capture core market share externally while achieving quality-driven scale growth internally, boosting profitability through cost reduction and efficiency gains.
- IV. Strengthen Execution Safeguards to Ensure Goal Implementation. Centered on strategic plans, focus on key tasks, assign clear accountability, implement responsibility-to-individual systems, process controls, collaborative support, and results-oriented approaches to fully achieve overall operational objectives.

Management Discussion and Analysis

The Group maintains a consistently positive outlook on future development prospects. 2026 marks a pivotal year as the Company enters a new phase of development and advances toward deepening its presence across the entire industrial chain. The Group will remain profit-driven to achieve quality growth, strengthen execution and collaboration, and advance full force toward the “Two First Place” medium-to-long-term strategic goals. This will better serve shareholders, employees, and customers while driving the Group’s sustainable development.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Luo Yefei (駱葉飛), aged 51, was appointed as an executive Director on 18 May 2016 and the chairman of the Board as well as a member and chairman of the nomination committee of the Board (the “**Nomination Committee**”) on 26 June 2020. Mr. Luo ceased to serve as the chairman of the Nomination Committee on 10 September 2025. Mr. Luo is also the general manager and responsible for the overall development planning and business operations of the Group. He is also (i) a director of Ningbo Shanshan Fashion Brand Management Co., Ltd* (寧波杉杉時尚服裝品牌管理有限公司) (“**Fashion Brand**”), and (ii) the manager of Ningbo Shanshan Hanfu Culture Co., Ltd.* (寧波杉杉漢服文化有限公司)(“**Shanshan Hanfu**”), subsidiaries of the Company. He was a director of Lubiam Apparel, a non-wholly-owned subsidiary of the Company voluntarily liquidated and deregistered on 13 December 2021. He has over 22 years of experience in the apparel industry. Mr. Luo joined the Group on 1 June 2013 as the general manager of Shanshan Garment Brand, the predecessor of the Company. Prior to joining the Group, Mr. Luo was the general manager and the controlling shareholder of Shaanxi Maoye, a substantial shareholder of the Company, a company primarily engaged in the production and sales of garments, where he was responsible for the production and operation management from September 2009 to June 2013. From September 2002 to September 2009, Mr. Luo served as the deputy general manager of Shaanxi Tuoda Commercial Trading Company Limited* (陝西拓達商貿有限公司) (“**Shaanxi Tuoda**”), a company primarily engaged in the sales and production of garments, where he was responsible for the sales and marketing. Mr. Luo obtained a certificate for the CEO EMBA program from Xi’an Jiaotong University (西安交通大學) in the PRC and Zhejiang University (浙江大學) in the PRC in July 2009 and June 2015, respectively. Mr. Luo also obtained a college diploma (專科文憑) through online learning from University of Science and Technology Beijing (北京科技大學) in the PRC in July 2017. On 31 July 2020, Mr. Luo obtained a junior college diploma (專升本文憑) in Business Administration through online learning from Southwest University (西南大學). Mr. Luo is the husband of Ms. Zhou Yumei, an executive Director. Mr. Luo is interested in 11% of the Company’s total number of issued shares. Mr. Luo is interested in approximately 80% of the registered capital of Shaanxi Maoye and is deemed to be interested in approximately 20% of the registered capital of Shaanxi Maoye held by Ms. Zhou Yumei under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (“**SFO**”). Mr. Luo is interested in approximately 65.1% of the registered capital of Ningbo Liankangcai, a substantial shareholder of the Company.

* for identification purpose only

Biographies of Directors, Supervisors and Senior Management

Mr. Cao Yang (曹陽), aged 54, was appointed as a Director and chairman of the board of directors of Shanshan Garment Brand, the predecessor of the Company on 30 June 2014. He was re-appointed as the vice chairman of the Company in May 2016 and was responsible for strategic planning of the Group. He was an executive director and the general manager of Ningbo Shanshan E-Commerce Co., Ltd.* (寧波杉杉電子商務有限公司) (“**Shanshan E-Commerce**”), a subsidiary of the Company from date of establishment to May 2021. Mr. Cao has extensive experience in strategic planning, brand management, public communication and corporate culture communication. He has over 20 years of experience in business management. From June 2010 to December 2014, Mr. Cao served as the planning director of Shanshan Holding Co., Ltd.* (杉杉控股有限公司) (“**Shanshan Holding**”), a company primarily engaging in industrial investment, investment management and research, development and sales of garments, and was responsible for strategic planning and brand management, public communication and corporate culture communication. From June 2009 to December 2013, he acted as an assistant president and the vice president of Shanshan Group Co., Ltd.* (杉杉集團有限公司) (“**Shanshan Group**”), a company primarily engaging in assets management and investment, trading of nonferrous metals and chemical products, and was responsible for brand management and public communication. From May 2005 to January 2009, Mr. Cao served as the deputy head of the general management department and the head of the planning department of Shanshan Holding, where he was responsible for brand management, public communication and corporate culture communication. In October 2004, Mr. Cao joined Shanshan Group as the head of the planning department and was responsible for brand management, public communication and corporate culture communication. Mr. Cao obtained a bachelor’s degree in journalism from Nanjing Normal University (南京師範大學) in the PRC in December 2012 by self-study. Mr. Cao has been the vice president of Shanshan Holding since August 2021, and is in charge of administration, personnel, information, legal affairs and planning; and has been the planning director of Ningbo Shanshan Co.,Ltd. (寧波杉杉股份有限公司)(“**Shanshan**”) since November 2022.

Ms. Yan Jingfen (嚴靜芬), previously known as Yan Xuefang (嚴雪舫), aged 52, was appointed as a Director on 18 May 2016 and a member of Remuneration Committee on 28 May 2018. Ms. Yan is also vice president, the chief financial officer and a joint company secretary of the Company and responsible for financial management, company secretarial matters and the compliance matters of the Group. Meanwhile, Ms. Yan is a director of (i) Fashion Brand, a subsidiary of the Company; (ii) Ningbo Shanjing Apparel Co., Ltd.* (寧波杉京服飾有限公司) (“**Ningbo Shanjing**”), an associate of the Company; and (iii) Hangzhou Shanxi E-Commerce Co., Ltd.* (杭州杉喜電子商務有限公司), a joint venture of the Group. She is also a supervisor of Shanshan E-Commerce, a subsidiary of the Company. She was a director of Lubiam Apparel, a non-wholly-owned subsidiary of the Company voluntarily liquidated and deregistered on 13 December 2021. On 12 July 2021, the Stock Exchange agreed that Ms. Yan is qualified to act as a company secretary under Rule 3.28 of the Listing Rules. Ms. Yan has over 18 years of experience in financial management. Ms. Yan joined the Group on 2 August 2010. Since June 2013, she has been serving as the chief financial officer of Shanshan Garment Brand, the predecessor of the Company, and of the Company. From August 2010 to June 2013, Ms. Yan served successively as the head of the financial department and the chief financial director of Fashion Brand. From September 2009 to August 2010, she was the head of the financial department of Ningbo Shanshan Bolai Import and Export Co., Ltd.* (寧波杉杉博萊進出口有限公司), a company primarily engaged in import and export business, where she was responsible for auditing and budgeting of this company. From July 2007 to September 2009, Ms. Yan served as the head of the financial department in Ningbo Shanshan Yongjiang Real Estate Company Limited* (寧波杉杉甬江置業有限公司), a property developer, where she was responsible for financial budgeting and preparing financial statements. Ms. Yan obtained her bachelor’s degree in financial management from the Ningbo Dahongying University (寧波大紅鷹學院) in the PRC in June 2014. Ms. Yan was qualified as an intermediate accountant (中級會計) by Ningbo Personnel Bureau (寧波市人事局) in May 2009.

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Biographies of Directors, Supervisors and Senior Management

Ms. Zhou Yumei (周玉梅), aged 55, was appointed as a non-executive Director on 21 August 2020 and redesignated as an executive Director on 6 June 2022. Ms. Zhou has been appointed as a member of the Nomination Committee on 10 September 2025. Ms. Zhou is currently the general manager of asset management department of the Company and is in charge of inventory management of the Company and the quality inspection department-related affairs. Ms. Zhou has been the head of inventory digestion and supply chains integration of the Company since March 2022 and is responsible for presiding over the overall management and coordination of the overall inventory digestion and supply chains integration of the Company. Ms. Zhou has been successively the deputy general manager and the general manager and the executive director (who is the sole director) of Shaanxi Maoye, a substantial shareholder of the Company, since September 2009, a company primarily engaged in the production and sale of garments, where she is responsible for business management. From September 2002 to September 2009, Ms. Zhou served as the deputy general manager of Shaanxi Tuoda, a company primarily engaged in the sales and production of garments, where she was responsible for the sales and management. Ms. Zhou is the wife of Mr. Luo Yefei, the chairman of the Board and an executive Director. Ms. Zhou is interested in approximately 20% of the registered capital of Shaanxi Maoye and also the sole director of Shaanxi Maoye, she is deemed to be (i) interested in approximately 80% of the registered capital of Shaanxi Maoye held by Mr. Luo; and (ii) interested in the 11% of the Company's total number of issued shares held by Mr. Luo under the SFO.

NON-EXECUTIVE DIRECTORS

Mr. Mao Weiyong (毛偉勇), aged 41, was appointed as a non-executive Director on 24 February 2025. He currently serves as a general manager of the new retail section of Shanshan E-Commerce, a wholly-owned subsidiary of the Company. Mr. Mao joined Ningbo Shanshan Garments Co., Ltd.* (寧波杉杉服裝有限公司), a company primarily engaged in the manufacture and sale of menswear, since 2004 and successively served as a planner of planning department and sector manager of sales department, responsible for the market development and sales management. From January 2012 to May 2013, Mr. Mao worked as a partner at Ningbo Shantong E-Commerce Co., Ltd. (寧波杉童電子商務有限公司) and principally engaged in the online sales of children's clothing. From June 2013 to November 2019, Mr. Mao served as the department head of e-commerce department of the Company, responsible for the overall business operation of e-commerce sector. From December 2019 to November 2020, Mr. Mao served as the general manager of Ningbo Nuanwo Pet Products Co., Ltd. (寧波暖窩寵物用品有限公司), responsible for the overall operation and management. Since November 2020, Mr. Mao joined the Company and responsible for the online overall business operation and management. Mr. Mao graduated from Zhejiang Institution of Economics and Trade (浙江經濟貿易學院) (currently has been merged with Taizhou Vocational and Technical College) majoring in clothing design and craftsmanship in July 2004. From February 2007 to January 2010, Mr. Mao participated in the part-time courses in Ningbo University and obtained the diploma in logistics management.

* for identification purpose only

Biographies of Directors, Supervisors and Senior Management

Mr. Wang Mingming (王明明先生), aged 52, was appointed as a non-executive Director on 9 June 2025. He is currently working in Jiaxing Yixiang Culture Communication Co., Ltd.* (嘉興醫相文化傳播有限公司) as an executive director. Mr. Wang graduated from Jiaxing Higher Technical College (now known as Jiaxing University) in 1993. He majored in textile engineering. After graduation, he worked in Jiaxing Tailian Minsheng Industrial Co., Ltd.* (嘉興台聯民生實業有限公司) and engaged in the sales of imported wool. In 1999, he worked at the Jiaxing branch of the National Timber Trade Market and became a general manager in 2001. In 2003, he served in Jiaxing Building Materials Market, fully responsible for attracting business. In 2008, Mr. Wang worked with Jiaxing Wu Yue Culture Communication Co., Ltd.* (嘉興吳越文化傳播有限公司) as a general manager. In 2011, he worked with Zhejiang Pojin Bay Investment and Development Co., Ltd.* (浙江泊金灣投資開發有限公司) as a general manager. In 2014, he founded Jiaxing Yixiang Culture Communication Co., Ltd.* (嘉興醫相文化傳播有限公司) for serving commercial enterprises, including commercial real estate planning and sales, individual traditional culture education and training, as well as product positioning and promotion.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Ching Ning (周政寧), aged 57, was appointed as an independent non-executive Director and the chairman of audit committee of the Board (the “**Audit Committee**”) on 4 June 2021. He is responsible for providing independent advice and judgement to the Board. Mr. Chow has over 25 years of investment experience and is currently a managing partner with Radiant Tech Ventures, a HK-based venture fund manager that invests in technology-empowered sectors such as fintech, electronic and mobile-commerce, healthcare and smart city across various geographical markets, including Hong Kong, China, Israel and Southeast Asia. Radiant Tech Ventures is a Hong Kong Securities and Futures Commission licensed asset management company and upholds the highest standard of corporate governance and business ethics and it is selected as one of the six Co-Investment Partners of the Innovation and Technology Venture Fund (ITVF) under Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region in 2018. Mr. Chow is a responsible officer for type 9 (asset management) regulated activities under the SFO.

Mr. Chow was born in Hong Kong but grew up in Singapore where he had lived for 8 years. He obtained a Bachelor degree (Hons) in Business Studies from the Hong Kong Polytechnic University and is a CFA Charterholder of the CFA Institute and fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA).

Mr. Chow is currently an independent non-executive director of China HK Power Smart Energy Group Limited (formerly known as China LNG Group Limited, a company listed on the main board of the Stock Exchange (stock code: 931)). He was an independent non-executive director of SinoSun Technology Co. Ltd., a company listed on Shenzhen Stock Exchange (SZSE stock code: 300333) from April 2017 to May 2020.

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Biographies of Directors, Supervisors and Senior Management

Mr. Wang Yashan (王亞山), aged 64, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, a member of Audit Committee and a member of Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgement to the Board. Mr. Wang was the legal representative of Beijing Zhonghuang Guoxin Management Consulting Company Limited (北京中環國信管理諮詢有限責任公司), a company primarily engaged in providing corporate management consulting services, from August 2010 to May 2016. He was also an independent director of Zhongke Yinghua High-tech Company Limited (中科英華高技術有限公司) (currently known as Nuode Investment Company Limited (諾德投資股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600110), from June 2009 to July 2015. Mr. Wang obtained his lawyer's qualification certificate issued by the Ministry of Justice of the PRC in April 1989. He obtained his bachelor's degree in law from Peking University in the PRC in July 1984.

Mr. Wu Xuekai (武學凱), aged 55, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 28 May 2018. Mr. Wu has been appointed as the chairman of the Nomination Committee on 10 September 2025. He is responsible for providing independent advice and judgement to the Board. Mr. Wu has over 30 years of experience in apparel industry. Mr. Wu is currently the executive Director and general manager of Shanghai Tianshi Garment Technology Co., Ltd.(上海田時服裝科技有限公司) and is the vice chairman of China Fashion Association and vice president of Shanghai Garment Design Association. Mr. Wu was the chief creative director of Biaoding Apparels Co., Ltd. (上海標頂服飾有限公司), a company primarily engaged in providing designing services, where he has been responsible for product design from June 2002 to May 2021. Mr. Wu was also the design director of Shanshan Group, where he was responsible for product design and the management of the design department from January 1999 to April 2003. From October 1996 to January 1999, Mr. Wu was a deputy general manager of the design center of Shanshan, where he was responsible for product design. From January 1995 to September 1996, Mr. Wu was a workshop manager of one of Shanshan's factories, where he was responsible for daily operation of this workshop. He was an independent director of Hunan Huasheng Company Limited (湖南華升股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600156), where he was responsible for supervising and providing independent advice to the board of directors from January 2014 to November 2020. Mr. Wu was qualified as a senior craftsmanship designer (高級工藝美術師) in July 2010 by Shanghai Human Resources and Social Security Bureau (上海市人力資源和社會保障局). Mr. Wu obtained his graduation certificate in fashion design from Tianjin Polytechnic University (天津工業大學) (formerly known as Tianjin Textile Engineering Institute (天津紡織工學院)) in the PRC in July 1994.

Biographies of Directors, Supervisors and Senior Management

SUPERVISORY COMMITTEE

Ms. Zhou Danna (周丹娜), aged 44, was appointed as the chairperson of the supervisory committee of the Company (the “**Supervisory Committee**”) on 18 May 2016. She joined the Group on 15 July 2013 and is currently the deputy director of administration department of the Group’s integrated management center. Prior to that, she was the assistant to president of the Group and the manager of administration office, where she was in charge of the president office and administration-related affairs. Ms. Zhou is also a supervisor of Fashion Brand, Shanshan Hanfu, Ningbo Magic Music E-Commerce Co., Ltd.(寧波魔音電子商務有限公司) (“**Ningbo Magic E-Commerce**”) and Tengzhou Shanshan, all of these are subsidiaries of the Company. She has over 19 years of experience in the apparel industry. Since July 2013, she was employed by the predecessor of the Company, Shanshan Garment Brand as an assistant to the head of the general management department, and now by the Company, as the deputy director of administration department of the Group’s integrated management center, where she is responsible for administrative matters. From July 2013 to September 2014, she successively served as an assistant to the head of the general management department and the deputy department head in Fashion Brand, where she was responsible for assisting the head of general management department in administrative matters. From March 2006 to July 2013, Ms. Zhou successively served as the secretary to the general manager, administration assistant and the head of the department in Ningbo Shanshan Modun Garments Co., Ltd., a company primarily engaged in sales of garments, where she was responsible for assisting the general manager in daily administrative matters. Ms. Zhou obtained her bachelor’s degree in art design from Tianjin Polytechnic University (天津工業大學) in the PRC in July 2006.

Mr. Wang Yijun (王一軍), aged 48, was appointed as a supervisor of the Company (the “**Supervisor**”) on 5 June 2019. He is also a director of Ningbo Magic E-Commerce. He joined the Group on 25 August 2017, and is the department head of the finance department of the Company, being responsible for the financial management related affairs. Prior to joining the Group, from March 2000 to August 2017, Mr. Wang worked at Ningbo Youngor Dresses Co., Ltd. (寧波雅戈爾服飾有限公司), a wholly-owned subsidiary of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司), a company primarily engaged in sale of branded menswear and listed on the Shanghai Stock Exchange (stock code: 600177), with his last position as the financial manager of its certain branch companies, where he was responsible for accounting and finance related affairs. From July 1999 to February 2000, Mr. Wang was an accountant and a cashier of Ningbo Yonggang Communications Co., Ltd. (寧波甬港通訊發展有限公司), a company primarily engaged in the provision of communication services and sale and maintenance of communication equipment where he was responsible for accounting and payment related affairs. Mr. Wang obtained a diploma of graduation in finance and accounting from Yinxian Secondary Specialised School of Zhejiang Province (浙江省鄞縣中等專業學校) in July 1996.

Biographies of Directors, Supervisors and Senior Management

Ms. Yang Yi (楊依), aged 35, was appointed as a Supervisor on 18 May 2016. She has over 13 years of experience in managing internal control operations. She joined the Group on 8 October 2011, and has since then been serving as the head of internal control and audit department of Shanshan Garment Brand, the predecessor of the Company, and now the Company, and has been responsible for establishing and maintaining the internal control system of the Group as well as planning and establishing the management system of the Group. She obtained her bachelor's degree in digital media technology from Zhejiang Normal University (浙江師範大學) in the PRC in June 2012.

SENIOR MANAGEMENT

Mr. Wang Jun (王軍), aged 61, has successively been the executive deputy general manager and vice president of the Group since November 2011 and is responsible for production and procurement of the Group and is in charge of Fashion Brand and warehouse logistics center-related affairs. He is also (i) a director of Fashion Brand, Shanshan Hanfu and Ningbo Magic E-Commerce, subsidiaries of the Company, and Ningbo Shanjing, an associate of the Company; and (ii) a supervisor of Ningbo Liankangcai, a substantial shareholder of the Company. He has more than 40 years of experience in the apparel industry. Mr. Wang joined the Group on 21 June 2009 and has since then been the deputy general manager of Fashion Brand. From May 2005 to August 2011, Mr. Wang worked at Ningbo Shanshan Garments Co., Ltd. (寧波杉杉服裝有限公司), a company primarily engaged in the sale of garments, where he successively served as an assistant to the general manager and deputy general manager. During that period, he was responsible for production and supply matters as well as assisting the general manager in corporate management. From June 2003 to May 2005, he served as the head of the production department of Shanshan, where he was responsible for the general management of the factories. From July 2000 to May 2003, he worked at Ningbo Shanshan Garments Co., Ltd., where he successively served as, among others, an assistant to the general manager and deputy general manager of this company and was responsible for the production and procurement. In July 1983, Mr. Wang joined the predecessor of Shanshan, where he started as a worker and was promoted as the department head of Shanshan before he left in December 1998 and was responsible for the production and operation matters. Mr. Wang obtained a graduation certificate of electrical automation from the Employee University of Shanghai Chemical Fiber Industrial Company (上海市化學纖維工業公司職工大學) in July 1988. Mr. Wang was qualified as an assistant engineer by Ningbo Personnel Bureau (寧波市人事局) in September 1994. Mr. Wang is interested in approximately 7% of the registered capital of Ningbo Liankangcai, a substantial shareholder of the Company.

Biographies of Directors, Supervisors and Senior Management

Mr. Yang Yong (楊勇), aged 57, has been a deputy general manager and design director of the Group since November 2011 and is the general manager of the product development center. He is responsible for research and development and design of the Group. He has more than 32 years of experience in apparel industry. Mr. Yang joined the Group on 21 June 2009 as the deputy general manager and chief designer of Fashion Brand. Prior to joining the Group, Mr. Yang had worked for more than 18 years, from June 1989 to May 2006, in Beijing Shunmei Garment Company Limited (北京順美服裝有限公司), a company primarily engaged in the production and sale of menswear, where he successively served as, among others, a manager and the product director of that company. Mr. Yang completed the diploma program of executive business administration from Zhejiang University (浙江大學) in the PRC in June 2015.

The Company is committed to fulfilling its responsibilities to the Shareholders, and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that conducting the businesses of the Group in a transparent and responsible manner and complying with good corporate governance practices serve its long-term interests and those of the Shareholders. Various measures have been adopted to enhance the management efficiency of the Company and thus to protect the interest of the Shareholders.

The Company has adopted the Corporate Governance Code* (the "**CG Code**") as contained in Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance. During the Year, the Company has applied the CG Code and complied with all the code provisions as set out in the CG Code during the Year except for the following deviation:

Pursuant to C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Presently, the Company does not have a position titled "chief executive officer". However, Mr. Luo Yefei, an executive Director and the chairman of the Board (the "**Chairman**"), has been carrying out the duties of the chief executive officer. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation.

In addition, as all major decisions are made in consultation with the members of the Board and relevant Board committees, and there are three independent non-executive Directors (the "**INEDs**") offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure from time to time to ensure that appropriate action is being taken as and when appropriate.

VISION, MISSION AND VALUE

The mission of the Group is to create a quality life with our vision of building a century-old classic fashion industry platform, and adheres to our corporate value of "pragmatism, aggressiveness, innovation and sharing". The Group inherits the tradition and leads the trend, as well as cooperates with colleagues within the industry chain to forge high-quality products and services, so as to jointly create industry value; the Group also conveys consumers an elegant dress concept to demonstrate an unrestrained attitude to life.

The values underpin the Company's success and guide the actions in achieving continuous and sustainable growth. It also reflects our culture which defines the qualities and behaviours of our people who help us make our purpose a reality.

* The amendments to the CG Code effective on 1 July 2025 will apply to corporate governance reports and annual reports for financial years commencing on or after 1 July 2025. For this annual report, the Company shall refer to the then effective CG Code.

Corporate Governance Report

The Company aims to achieve its purpose and values through building partnerships and collaboration to create value and develop and apply emerging technologies and innovative business approaches for long-term business growth.

Under the leadership of the Board, the Company instils these vision, missions, core values and sustainability approach in our staff and stakeholders while integrating them into the Group's day-to-day operations.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the articles of association of the Company (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group's operational and financial performance and ensuring that appropriate internal control and risk management are in place. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and those which are assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding and implementing the view that the Board should include a balanced composition of executive Directors, non-executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

As at the date of this annual report, the Board comprised nine Directors including three INEDs, which was in compliance with the requirement under Rules 3.10 and 3.10A of the Listing Rules that the number of INEDs must represent at least one-third (1/3) of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The members of the Board during the Year and up to the date of this annual report are set out below:

Executive Directors

Mr. Luo Yefei (Chairman)
Mr. Cao Yang (Vice Chairman)
Ms. Yan Jingfen (Chief Financial Officer and Joint Company Secretary)
Ms. Zhou Yumei

Non-executive Directors

Mr. Mao Weiyong (*appointed on 24 February 2025*)
Mr. Du Peng (*resigned on 24 February 2025*)
Mr. Wang Mingming (*appointed on 9 June 2025*)
Mr. Shen Jinxin (*retired on 9 June 2025*)

INEDs

Mr. Chow Ching Ning
Mr. Wang Yashan
Mr. Wu Xuekai

Mr. Mao Weiyong was appointed as a non-executive Director on 24 February 2025 and obtained the legal advice pursuant to Rule 3.09D of the Listing Rules on 24 February 2025, and understood his obligations as a director of a listed issuer under the Listing Rules.

Mr. Wang Mingming was appointed as a non-executive Director on 9 June 2025 and obtained the legal advice pursuant to Rule 3.09D of the Listing Rules on 9 June 2025, and understood his obligations as a director of a listed issuer under the Listing Rules.

The biographical details of each of the Directors are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” of this annual report. Save for such relationship disclosed in the section headed “Biographies of Directors, Supervisors and Senior Management”, as at 31 December 2025, the Directors, the Supervisors and senior management of the Company had no financial, business, family or other material relationship among themselves.

The executive Directors are responsible for the leadership and control of the Company, overseeing the Group’s businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The non-executive Directors participate in Board meetings to bring in judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinise the Company’s performance in achieving agreed corporate goals and objectives.

The INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance in the Board in order to effectively exercise independent judgement on the corporate actions of the Company so as to protect Shareholders’ interests and the overall interests of the Group.

The Board delegates the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

Corporate Governance Report

The Company has received an annual confirmation of independence in writing from each of the INEDs with reference to the factors under Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this annual report.

During the Year, the Chairman held a meeting with the INEDs without the presence of other Directors.

Mechanism(s) Ensuring Independent Views Available to the Board

The Board has adopted a board independent evaluation mechanisms for Directors to seek independent professional advices for them to discharge their duties and responsibilities, and to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgement to better safeguard shareholders' interests.

Continuing improvement and development of the Board of the Company and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Directors may, in making decisions to perform their duties as Directors, seek such independent professional advice and opinions as they considered necessary to fulfil their responsibilities and in exercising independent judgement at the Company's expense (the "**Policy**"). Independent professional advice shall include advice of lawyers, auditors, accountants, financial advisers and other professional on matters of law, accounting, tax and other regulatory and professional matters. If the Directors consider that independent professional advice and views are necessary, the Directors should communicate with the Company Secretary and to provide background and details of the events and/or transactions and/or the issues involved and/or their problems, questions, concerns or specific advice to be sought. Subject to the approval of the Chairman, the Company or the Directors shall contact a professional adviser within a reasonable period of time to seek independent professional advice. Any advice obtained through the Policy shall be duly documented and made available to other members of the Board.

The Board reviewed the implementation and effectiveness of the mechanisms during the Year and considered the same remain effective to ensure independent views and input are available to the Board since adoption of the mechanisms up to the date of this annual report.

Directors' Liabilities Insurance and Indemnity

The Company had arranged for appropriate and adequate insurance cover to protect the Directors and the Supervisors from legal action arising from the performance of their duties as a Director and Supervisor. Such insurance coverage is reviewed and renewed on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors and the Supervisors on terms no less exacting than the required standard as set out in the Model Code. Following a specific enquiry made by the Company with each of the Directors and the Supervisors, all the Directors and the Supervisors have confirmed that they had complied with the Model Code during the Year.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the newly appointed Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

The Company will from time to time fund and arrange suitable training and provide briefings to all the Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records.

During the Year, all the Directors attended the suitable training and/or briefings given by certain professional advisers and/or participated in continuous professional development courses organised by professional bodies/firms on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director to develop and refresh their knowledge and skills.

Corporate Governance Report

According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

| Name of Directors | Type of Training |
|--|------------------|
| Executive Directors | |
| Mr. Luo Yefei | A and C |
| Mr. Cao Yang | A and C |
| Ms. Yan Jingfen | A, B and C |
| Ms. Zhou Yumei | A and C |
| Non-executive Directors | |
| Mr. Mao Weiyong (<i>appointed on 24 February 2025</i>) | A and C |
| Mr. Du Peng (<i>resigned on 24 February 2025</i>) | A and C |
| Mr. Wang Mingming (<i>appointed on 9 June 2025</i>) | A and C |
| Mr. Shen Jinxin (<i>retired on 9 June 2025</i>) | A and C |
| INEDs | |
| Mr. Chow Ching Ning | A, B and C |
| Mr. Wang Yashan | A and C |
| Mr. Wu Xuekai | A and C |

Notes:

- A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops
- B: reading materials relating to the seminars material, economy, general business, corporate governance and directors' duties and responsibilities
- C: reading newspapers and journals relating to the corporate governance matters, environment and social issues or director's duties and responsibilities

MEETINGS OF THE BOARD AND BOARD COMMITTEES AND DIRECTORS' ATTENDANCE RECORDS

The Board is scheduled to meet regularly four (4) times a year at approximately quarterly intervals with notice given to the Directors at least fourteen (14) days in advance. For all other Board meetings, notice of at least three (3) days in advance will be given. The agenda and accompanying board papers are dispatched to the Directors at least three (3) days before the meetings to enable the Directors to have sufficient time to review the papers and be adequately prepared for the meetings. When the Directors are unable to attend meetings, he or she may appoint in writing another Director to attend the meeting on his or her behalf. The power of attorney shall specify the scope of authorisation. The proxy shall exercise the rights of the Director within the scope of the authorisation. A Director failing to attend the Board meeting in person or by proxy shall be deemed as having waived his or her voting rights at such meetings.

Corporate Governance Report

The joint company secretaries of the Company (the “**Joint Company Secretaries**”) are responsible for keeping all Board meetings’ minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors’ inspection. According to the Listing Rules, any Directors and their close associates (as defined under the Listing Rules) with a material interest in the transactions to be discussed in the Board meetings shall abstain from voting on the resolutions approving such transactions and will not be counted in the quorum for the meetings.

During the Year, five (5) Board meetings, one (1) annual general meeting (the “**AGM**”) and one (1) extraordinary general meeting (the “**EGM**”) were held. Details of the attendance of each Director are set out below:

| Name of Directors | No. of Attendance/No. of Meetings Eligible to Attend | | |
|--|--|-----|-----|
| | Board Meetings | AGM | EGM |
| Executive Directors | | | |
| Mr. Luo Yefei | 5/5 | 1/1 | 1/1 |
| Mr. Cao Yang | 5/5 | 1/1 | 1/1 |
| Ms. Yan Jingfen | 5/5 | 1/1 | 1/1 |
| Ms. Zhou Yumei | 5/5 | 1/1 | 1/1 |
| Non-executive Directors | | | |
| Mr. Du Peng (resigned on 24 February 2025) | – | – | 1/1 |
| Mr. Shen Jinxin (retired on 9 June 2025) | 1/1 | 1/1 | 1/1 |
| Mr. Mao Weiyong (appointed on 24 February 2025) | 5/5 | 1/1 | – |
| Mr. Wang Mingming (appointed on 9 June 2025) | 4/4 | – | – |
| INEDs | | | |
| Mr. Chow Ching Ning | 5/5 | 1/1 | 1/1 |
| Mr. Wang Yashan | 5/5 | 1/1 | 1/1 |
| Mr. Wu Xuekai | 5/5 | 1/1 | 1/1 |

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) on 28 May 2018 and discussed all measurable objectives set for implementing the same.

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The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

As at 31 December 2025, the Group employed a total of 300 employees including senior management (2024: 265), who are from various age groups, with a male-female ratio of 47%:53% (2024: 49%:51%), almost achieving gender equality.

As at 31 December 2025, the Board had two female members, representing one-fourth of the Board. The Nomination Committee is of the opinion that the Board is sufficiently diverse in terms of gender, background and experience, thus the Board has not set any measurable objectives. The Board will consider to set measurable objectives for implementing the Board Diversity Policy where necessary and such objectives will be reviewed from time to time to ensure their appropriateness and determine the progress of achieving such objectives.

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level of the Group so that it will have a pipeline of female senior management and potential successors to the Board in the future.

BOARD COMMITTEES

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Company has established the Audit Committee on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. As at the date of this annual report, the Audit Committee comprises all the INEDs, namely Mr. Chow Ching Ning, Mr. Wang Yashan and Mr. Wu Xuekai. Mr. Chow Ching Ning is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, among others:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;
- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting contained in them;

Corporate Governance Report

- reviewing the Company's financial controls, risk management and internal control systems, effectiveness of the Company's internal audit process and the Group's financial and accounting policies and practices;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
- performing the Company's corporate governance functions.

During the Year, the Audit Committee held three (3) meetings to review and supervise the financial reporting process and review the risk management and internal control systems of the Group and its audit-related matters, and review the audit service plans of the Company. The Audit Committee had reviewed the final results of the Group for the year ended 31 December 2024 and the unaudited interim results of the Group for the six months ended 30 June 2025 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of these results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. In addition, the Audit Committee conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, as well as the internal audit function of the Company. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

The attendance of each INED at the Audit Committee meetings during the Year is as follows:

| Members | No. of Attendance/No. of Meetings Eligible to Attend |
|---------------------|--|
| Mr. Chow Ching Ning | 3/3 |
| Mr. Wang Yashan | 3/3 |
| Mr. Wu Xuekai | 3/3 |

The Audit Committee met on 20 March 2026 and, among other matters, reviewed the Group's audited consolidated results for the Year including the accounting principles and practice adopted by the Group and recommended to the Board for consideration the same and the re-appointment of BDO Limited as the Company's independent auditor at the forthcoming AGM to be held on 8 June 2026 and conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, as well as the internal audit function of the Company.

Corporate Governance Report

Remuneration Committee

The Company has established the Remuneration Committee on 28 May 2018 with written terms of reference in compliance with the CG Code. In November 2022, the terms of reference of the Remuneration Committee were updated to reflect additional responsibilities of the Remuneration Committee arising from the amendments to the Listing Rules pertaining to the share option schemes and share award schemes came into effect on 1 January 2023. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two (2) INEDs, namely Mr. Wang Yashan and Mr. Wu Xuekai, and one (1) executive Director, Ms. Yan Jingfen. Mr. Wang Yashan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of each executive Director and senior management; and
- reviewing and/or approving matters related to the share schemes under Chapter 17 of the Listing Rules.

During the Year, the Remuneration Committee held one (1) meeting and, among other things, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management, including but not limited to, reviewing the remuneration of the Directors including the proposed non-executive Director with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance and reviewing the remuneration policy of the Company.

The attendance of each Director at the Remuneration Committee meeting during the Year is as follows:

| Members | No. of Attendance/No. of Meetings Eligible to Attend |
|-----------------|--|
| Mr. Wang Yashan | 1/1 |
| Mr. Wu Xuekai | 1/1 |
| Ms. Yan Jingfen | 1/1 |

The Remuneration Committee met on 20 March 2026 to, among others, review the remuneration package of the Directors and senior management and make recommendation for the Board approval.

Nomination Committee

The Company has established the Nomination Committee on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. It comprises two (2) INEDs, namely Mr. Wang Yashan and Mr. Wu Xuekai, and one (1) executive Director, Ms. Zhou Yumei. Mr. Wu Xuekai is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors (in particular the Chairman and the chief executive); and
- reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives and disclosing the Board Diversity Policy or a summary of the Board Diversity Policy in the corporate governance report of the Company.

During the Year, the Nomination Committee held one (1) meeting and, among other matters, (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of the INEDs; (iii) reviewing and making recommendations on the appointment of Directors at the EGM held on 24 February 2025 and AGM held on 9 June 2025 (the "**2025 AGM**"); and (iv) considering the existing composition and size of the Board and in accordance with the criteria of meritocracy, and based on the proposal of the Shareholders and objective selection criteria, which include, but are not limited to the diversity of the Board members in terms of gender, age, culture and accomplishment, experience and reputation in relation to the business of the Company and other related industries.

Corporate Governance Report

The attendance of each Director at the Nomination Committee meeting during the Year is as follows:

| Members | No. of Attendance/No. of Meetings Eligible to Attend |
|--|--|
| Mr. Luo Yefei (<i>ceased on 10 September 2025</i>) | 1/1 |
| Mr. Wang Yashan | 1/1 |
| Mr. Wu Xuekai | 1/1 |
| Ms. Zhou Yumei (<i>appointed on 10 September 2025</i>) | – |

The Nomination Committee met on 20 March 2026 and among other matters, reviewed the structure, size and composition of the Board and assessed the independence of the INEDs.

The Company has adopted a nomination policy for the appointment of Board members. The appointment will be made on a merit basis and candidates will be considered against objective criteria. The selection criteria used in assessing the suitability of a candidate include:

- Integrity;
- The diversity of the Board in various aspects, including but not limited to gender, age, cultural, educational and professional background, ethnicity, professional experience, skill, knowledge and length of service;
- Time available, interests in other parties and concerns about the Company's business;
- Accomplishment, experience and reputation in relation to the business of the Company and other relevant industries;
- Independence;
- Potential contributions to the Board; and
- Any other relevant factors determined by the committee or the Board from time to time.

The Nomination Committee shall make recommendations to the Board on the appointment of Directors in accordance with the following procedures and processes:

- (a) to prepare a list of selection criteria based on the above criteria to identify appropriate candidates, taking into account the existing composition and size of the Board;
- (b) with reference to any sources it considers appropriate when identifying or selecting an appropriate candidate, such as recommendation of Directors, recommendation of headhunting companies and recommendation of the Shareholders;
- (c) to review with individual candidates and perform background checks;

- (d) after considering the suitability of a particular candidate for the position of Director, the Nomination Committee will make recommendations to the Board on the appointment by convening a meeting and/or through a written resolution, as it may consider appropriate;
- (e) to arrange an interview the selected candidates and members of the Board, if necessary;
- (f) to provide information about the selected candidates to the Remuneration Committee for considering the remuneration package of such selected candidate;
- (g) to recommend the Board to appoint the selected candidates as Director and the Remuneration Committee will submit the proposed remuneration package of the selected candidates to the Board; and
- (h) the Board will subsequently discuss and make decisions on the appointment.

BOARD'S CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions of the Company as set out in the code provision A.2.1 of the CG Code, which include but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the directors of the Company and its subsidiaries; and
- reviewing the Company's compliance with the CG Code in Appendix C1 to the Listing Rules and disclosure in this corporate governance report.

The Audit Committee reviewed this corporate governance report in discharge of its corporate governance functions and ensured compliance with the Listing Rules.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining an adequate and effective risk management and internal control systems of the Group and reviewing their effectiveness. The Company has established a risk management policy to address and manage potential risks associated with its business operations, including strategic risks, operational risks, legal compliance risks and environmental, social and governance risks. Procedures have been set up by the Company for, inter alia, identifying, analysing, categorising, mitigating and monitoring risks, and safeguarding assets against unauthorised use or disposition, maintaining proper accounting records and ensuring reliability of financial information, ensuring compliance with relevant legislation and regulations and protecting the interests of the Shareholders. The Company's risk management and internal control systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aim to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under its framework, general management, finance, accounting and internal control departments are primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management, review the effectiveness of these systems and to resolve material deficiencies to safeguard the Group's assets. Once the Company identifies a material or a potential material deficiency, the Company will immediately form a working team to analyse and resolve the problem and improve the Company's internal control system while pursuing accountability, and may engage independent consulting firms as and when necessary.

The Company has engaged an independent internal control consulting firm to perform an overall assessment on the Group's internal control system including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group's corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consulting firm recommended certain internal control improvement measures to the Group and the Group has adopted them. Since then, the Company has performed regular review and made appropriate improvements to its internal control systems.

In order to maintain sound and effective risk management and internal control systems, including material risk relating to Environmental, Social and Governance, the Company has established and maintained stringent internal control procedures including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by the management to report immediately any potential or actual non-compliance. An internal audit department has been established to carry out the analysis and independent appraisal of the adequacy and effectiveness of these systems and the Company has procedures in place to keep information confidential and manage actual or potential conflicts of interest as well as devise a yearly audit plan according to their risk ratings. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

For the Year, the Board, through the Audit Committee, had conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, as well as the internal audit function of the Company, covering all material controls, including financial, operational and compliance controls for the Year. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

The Group has formulated a whistleblowing policy for employees to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Group has also formulated an anti-corruption policy to promote and support anti-corruption laws and regulations. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service agreement or an appointment letter with the Company for a term commencing from 9 June 2025 (i.e. the date of the 2025 AGM) until the end of the term of fourth session of the Board and may be terminated in accordance with the respective terms of the service agreement or the appointment letter.

Each of the INEDs has entered into a letter of appointment with the Company for a term commencing from the date of the 2025 AGM until the end of the term of fourth session of the Board.

None of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries expiring or determinable by the employer within one (1) year without the payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors shall be elected or changed at the general meetings with a term of office of three (3) years. Upon expiry of the term of office, a Director shall be eligible to offer himself/herself for re-election. Any person appointed by the Board to fill a casual vacancy to the Board shall hold office until the Company's next general meeting and that person shall then be eligible for re-election.

All members of the current Board were elected at the 2025 AGM.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Particulars of the Directors' and the Supervisors' remuneration and the five (5) highest paid employees of the Group for the Year are set out in note 12 to the consolidated financial statements.

Pursuant to the code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and Supervisors) whose particulars are contained in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report for the Year by band is set out below:

| Remuneration band (RMB) | Number of individual(s) |
|-------------------------|-------------------------|
| Nil to 1,000,000 | 2 |

Corporate Governance Report

INDEPENDENT AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditor about its reporting responsibility and opinion on the Financial Statements is set out in the section headed "Independent Auditor's Report" of this annual report.

For the Year, the remuneration paid or payable to BDO Limited as the independent auditor in respect of the Year is set out below:

| Services | Fee paid/payable RMB'000 |
|--|-----------------------------|
| Audit services | 1,038 |
| Non-audit services | |
| – Professional service fees in relation to agreed-upon procedures on interim financial information | 328 |
| Total | 1,366 |

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cashflows for the Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overall principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries, the financial controller and the investor relations director are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen ("**Ms. Yan**") and Ms. Cheng Lucy ("**Ms. Cheng**") are the Joint Company Secretaries. All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and Board practices matters.

Ms. Cheng was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to be a Joint Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. Ms. Cheng's primary contact at the Company is Ms. Yan, being the person with extensive seniority at the Company.

During the Year, each of Ms. Yan and Ms. Cheng had undertaken not less than 15 hours of relevant professional trainings respectively in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the Shareholders and investors to make informed investment decisions relating to the Company, the Board adopted a dividend policy of the Company (the "**Dividend Policy**").

According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- results of operation;
- cash flows;
- financial condition;
- future business prospects; and
- statutory and contractual restrictions on the payment of dividends by the Company.

Corporate Governance Report

In addition to the above, the Company may only pay dividends out of the distributable profit pursuant to the PRC laws and the Articles of Association. The distributable profit represents the lower of the net profit after tax determined under the generally accepted accounting principles in the PRC (the “**PRC GAAP**”) or Hong Kong Financial Reporting Standards or the accounting standards of the place where the Shares are listed, less:

- the accumulated losses in previous years;
- appropriations are required to make to the statutory reserve, which is currently 10% of the unconsolidated net profit of the Company as determined under the PRC GAAP, until such reserve reaches an amount equal to 50% of the registered capital of the Company;
- appropriations to a discretionary surplus reserve as approved by the Shareholders in an AGM.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the PRC laws, the Articles of Association and the Board’s discretion. The Board will review the Dividend Policy on a regular basis.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and the investing public.

The Company updates its Shareholders on its latest business developments and financial performance through its announcements, circulars as well as annual and interim reports. The corporate website of the Company has provided an effective communication platform to the public and the Shareholders.

SHAREHOLDERS’ RIGHTS

Procedures for Putting Forward Proposals at Shareholders’ Meetings

Pursuant to Article 61 of the Articles of Association, Shareholders individually or jointly holding 3% or more of the Shares shall be entitled to submit proposal(s) (the “**Proposal(s)**”) to the Company in writing ten (10) days prior to the convening of a general meeting. The Company shall issue a supplemental notice of general meeting to other Shareholders within two (2) days of the receipt of the Proposal(s) and incorporate such newly proposed matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration.

Shareholders may lodge a duly signed written request at the registered office and headquarters of the Company in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Convene an EGM

Pursuant to Article 56 of the Articles of Association, Shareholders individually or jointly holding more than 10% of the Shares (the “**Eligible Shareholder(s)**”) are entitled to request the Board in writing to convene an EGM. Eligible Shareholders who wish to convene an EGM for the purpose of moving a resolution at the EGM must deposit a written requisition (the “**Requisition**”) duly signed by the Eligible Shareholder(s) concerned at the registered office and headquarters of the Company in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) for convening an EGM and the proposed agenda. Detailed procedures are set out in the Articles of Association which is available on the respective websites of the Stock Exchange and the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send written enquiries to the Board or the Company by post to the Company’s registered office and headquarters in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Propose a Person for Election as a Director

Shareholders holding, individually or collectively, more than 3% of voting shares of the Company can propose a person for election as a Director at a general meeting in accordance with Article 98 of the Articles of Association. By doing so, the Shareholder should deposit (i) a written notice (the “**Proposal Notice**”) of the intention to propose the person (the “**Candidate**”) for election as a Director; and (ii) a written notice (the “**Consent Notice**”) by the Candidate of his/her willingness to be elected at the address of the Company’s registered office in the PRC mentioned above at least seven (7) days before the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such Director and shall be at least seven (7) days in length.

The Proposal Notice (i) must be accompanied by the information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder proposing the Candidate for election as a Director.

The Consent Notice (i) must indicate the Candidate’s willingness to be elected and consent of the publication of his/her information as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Candidate.

In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, those Shareholders who wish to make the proposal are urged to submit and lodge the Proposal Notice and the Consent Notice as soon as practicable.

Corporate Governance Report

To enable the Shareholders to make an informed decision on the relevant election proposal at a general meeting, the Company shall publish an announcement or issue a supplemental circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplemental circular. The Company shall assess whether or not it is necessary to adjourn the meeting to give Shareholders at least ten (10) business days to consider the relevant information disclosed in the announcement or the supplemental circular.

Information about the relevant procedures is available on the website of the Company at <http://www.chinafirs.com>.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholder's communication policy on 28 May 2018 with an objective to provide our Shareholders with detailed information about the Company so that they can exercise their rights as Shareholders in an informed manner. The Company would review the Shareholders' communication policy on a regular basis.

Information about the Company will be communicated to the Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), AGMs and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications on the respective websites of the Stock Exchange and the Company.

The Board welcomes views of the Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by the Shareholders. The Board has reviewed the shareholders' communication policy and its effectiveness was confirmed since the policy was able to facilitate an open and on-going communication with the Shareholders on fair disclosure basis.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be posted to the Company's registered office and headquarters in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENT

During the Year, there was no material change to the Articles of Association.

Environmental, Social and Governance Report

INTRODUCTION

Shanshan Brand Management Co., Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**” or “**us**” or “**we**”) are committed to providing high-quality apparel products and strives to maintain market leadership in the design, marketing and sale of formal and casual business menswear business in the People’s Republic of China (the “**PRC**”). The Group has always attached great importance to social responsibility. While endeavouring to realise its corporate goals, it also aspires to contribute to society from various aspects so as to achieve long-term and sustainable development goals.

In view of this, this Environmental, Social and Governance (“**ESG**”) Report will focus on the balance between corporate needs, social demands and environmental concerns. The Group understands that incorporating sustainable development elements into business strategy has become a trend, so it will actively communicate with different stakeholders to understand their needs and carry out comprehensive management on ESG issues. While implementing the sustainable development plan, the Group will consider the relevant short-term and long-term factors, including the challenges that it is facing, its responsibility to stakeholders, global trends, laws and regulations, risk management, etc. In such a constantly changing business environment, we believe that an enterprise can achieve success only by taking long-term commitments on the ESG issues.

Through careful and profound understanding of different risks and opportunities in relation to ESG issues with which the Group is confronted, the Group will earnestly perform its corporate social responsibility, abide by local laws, provide an appropriate working environment for employees, and pay attention to social issues, including responsible procurement, environmental conservation, volunteer activities, etc. At the meantime, the Group makes efforts to protect the environment by reducing waste. As a member of the society, the Group will certainly endeavour to make contributions to it and collaboratively create a better community environment.

Finally, as to the policies and performance of the Group in relation to the four major aspects, including environmental protection, employment and labour practices, operating practices and community participation for the period from 1 January 2025 to 31 December 2025 (“**FY2025**”), the Board is hereby pleased to present the 2025 ESG report of the Group.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

About the Report

This ESG Report introduces the significant ESG performance of the Group in FY2025, and its long-term commitments to ESG. This ESG Report mainly focuses on the main business of the Group, i.e. the menswear design and sales business of the Group in Mainland China, to describe our progress in creating sustainable values for its shareholders and other stakeholders.

Scope of the Report

The scope of this ESG Report covers the reporting period from 1 January 2025 to 31 December 2025. This ESG Report makes relevant disclosures in accordance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited and complies with the “comply or explain” provisions therein. Given that the operations of Shanshan Brand Management Co., Ltd. (“**Shanshan**”) accounted for most of the Group’s results, the scope of this ESG Report is based on the operations of Shanshan Brand Management Co., Ltd. for the year after taking into consideration the Group’s sales results and operational coverage by the management.

This ESG Report summarises the ESG practices of Shanshan (i.e. the principal operation unit of the Group) for FY2025. The information contained herein is helpful to understand and evaluate the Group’s ESG performance in its routine business in the PRC. Since the Group considers that the operations of its other subsidiaries have minimal impact on its environmental performance, this ESG report does not include KPI data of business units other than Shanshan.

Reporting Principles

This ESG Report follows the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Rules Governing the Listing of Securities on the Main Board of the Hong Kong Stock Exchange that contains reporting principles of materiality, quantitative and consistency, details of which are set out below:

Environmental, Social and Governance Report

Materiality

In addition to internal factors, such as the Group's corporate value, strategy and core competitiveness, the Group also attaches importance to communication with the internal and external stakeholders and considers the ESG strategies of other competitors in the industry, so as to achieve sustainable development. The Group has identified the following categories that have or may have a significant impact on the Group's ESG performance: (please also refer to the section headed Materiality Assessment)

- The menswear design and marketing industry in the PRC;
- The menswear sales market in the PRC;
- Present or future environment and society in which the Group locates and operates;
- Financial and operation performance of the Group; and
- Evaluation, decision and action of the Group's stakeholders.

Quantitative

The key performance indicators disclosed in this ESG report are supported by quantified data and measurable standards. The sources of all applicable data, calculation tools, methods, references and conversion factors applied are disclosed in emission data presented in this report.

Consistency

For comparative purposes of ESG performance from year to year, the Group adopts consistent approaches for data collection, calculation and reporting, where reasonable, across all financial years, and records significant changes in detail for the relevant components. In this report, the density of the relevant performance indicator data is calculated based on the number of employees of the Group, unless otherwise indicated. As of 31 December 2025, the total number of employees of the Group was 300, and the total number of employees of the Group as of 31 December 2024 was 265. In preparing this report, the Group has referred to certain global, local and industrial standards or best practices, including the ESG Reporting Guide of the Hong Kong Stock Exchange and applicable Hong Kong Accounting and Financial Reporting Standards.

Feedback

As the Group attaches great importance to the concerns of each stakeholder, we welcome any advice and suggestion that may enhance the Group's ESG performance. The Group is open to and values all advice and suggestions received, in order to uphold the common interests of the Group and all stakeholders. Stakeholders are welcome to send such advice and suggestions to the Group's email: ssfz@nbshanshan.com.

Environmental, Social and Governance Report

ABOUT SHANSHAN BRAND MANAGEMENT CO. LTD.

The Business of the Group

Shanshan Brand Management Co., Ltd. (Stock Code: 1749) and its subsidiaries are principally engaged in the design, marketing and sales of formal and casual business menswear in the PRC under the brands FIRS and SHANSHAN. Headquartered in Ningbo City, the Group has retail stores operated by its distributors, itself and franchisees across the PRC, spanning all the provinces, autonomous regions and central government administered municipalities in the PRC, except for Hainan province and Tibet Autonomous Region. In addition, the Group offers products under the above brands to customers via third-party e-commerce platforms, including Vipshop, JD.com and TikTok, enabling itself to sell products under the Group's brands in more areas without physical stores.

Mission

The mission of the Group is to create a quality life. Committed to becoming a century-old classic menswear brand in China, the Group inherits the tradition and leads the trend and cooperates with colleagues within the industry chain to forge high-quality products and services, so as to jointly create industry values; the Group also delivers an elegant dress concept to consumers to demonstrate an unrestrained attitude to life.

Vision

The Group intends to build a century-old classic fashion industry platform. Shanshan Brand takes business menswear as the cornerstone and focuses on the fashion industry while also sorting out industrial collaboration relations, integrating industrial joint elements and industrial innovation elements, and through gathering resources from all parties over the platform and expanding business boundaries steadily to develop Shanshan Brand into an innovation-oriented fashion industry platform with scale advantage and advanced efficiency, and thereby becoming a century-old enterprise with ever-lasting foundation.

Objective

Continuing to provide consumers with quality menswear.

Environmental, Social and Governance Report

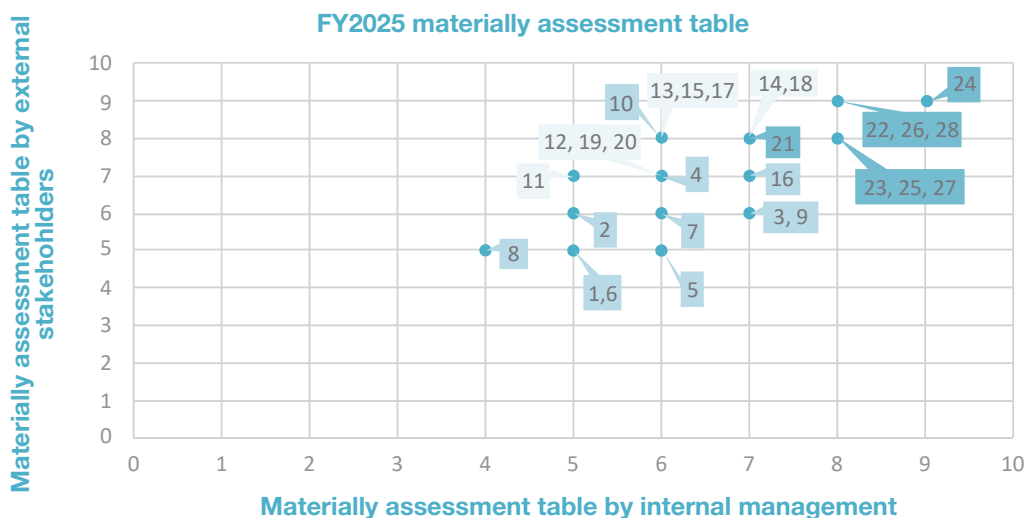
PARTICIPATION OF STAKEHOLDERS

The Group actively seeks every opportunity to understand our stakeholders in order to guarantee the regular improvement of our services. We strongly believe that stakeholders play a vital role in maintaining the success of our business.

| Stakeholders | Issues Concerned | Communications and Feedback |
|------------------------------|--|---|
| The Hong Kong Stock Exchange | Compliance with the Listing Rules, and timely and accurate announcements | Meeting, training, website update and announcements |
| The Government | Compliance with laws and regulations, prevention against tax evasion, and social welfare | Government inspection, tax declaration and other information |
| Suppliers | Payment schedule and demand stability | Business communication, procurement agreement, e-mail and telephone correspondence |
| Investors | Corporate governance system, business strategy and performance, and investment returns | Organizing and participating in seminars, shareholders' meeting, providing financial reports or operation reports to investors and analysts |
| Media and Public | Corporate governance, environmental protection, and human rights | Publishing newsletters on the corporate website |
| Customers | Products quality, reasonable price and products values | Field investigation and after-sales services |
| Employees | Interests and welfare, employee remuneration, training and development, working hours, and working environment | Training, interview with employees, internal memos, and employee's suggestion box |
| Community | Community environment, employment and community development, and social welfare | Developing community activities, volunteering activities of employees, and community welfare, subsidy and donation |

Environmental, Social and Governance Report

During FY2025, the Group conducted surveys of internal and external stakeholders, including the suppliers, customers and investors, to identify and assess material ESG issues so as to determine the impacts of such issues on the Group’s business operation, environment and society. Based on the Group’s reporting scope, business characteristics and the feedback from stakeholders, the Group has identified the relevant material ESG issues and evaluated them through a scoring system. Details are shown in the chart and the table below:



| Number | ESG Issues | Number | ESG Issues | Number | ESG Issues |
|------------------------------|--|-----------------------|--|----------------------------|----------------------------|
| Environmental Issues: | | Social Issues: | | Operational Issues: | |
| 1 | GHG emission/Global warming | 11 | Responding to major public health incident | 21 | Supply chain management |
| 2 | Exhaust emission | 12 | Employee rights and benefits | 22 | Customer satisfaction |
| 3 | Energy usage | 13 | Inclusion, equal opportunity and anti-discrimination | 23 | Customer privacy |
| 4 | Water usage | 14 | Talent attraction and retention | 24 | Product quality and safety |
| 5 | Hazardous waste/Waste water | 15 | Occupational health and safety | 25 | Economic performance |
| 6 | Non-hazardous waste/Waste water | 16 | Training and development | 26 | Compliance operation |
| 7 | Paper usage | 17 | Measures to prevent child labour and forced labour | 27 | Corporate governance |
| 8 | Deforestation caused by illegal logging | 18 | Environmental protection | 28 | Anti-corruption |
| 9 | Use of raw materials and packaging materials | 19 | Community investment and participation | | |
| 10 | Compliance with laws and regulations related to environmental protection | 20 | Labour standards in the supply chain | | |

As shown above, the social and operational ESG issues are of high materiality based on the product quality and safety, which are of common concern to both internal management as well as external stakeholders.

The Group will be more proactive to maintain communication with stakeholders and solicit advice from them through different channels to conduct more comprehensive analysis. Meanwhile, the Group will revise the reporting principles of materiality, quantitative and consistency as necessary, so as to comply with reporting requirements and better satisfy expectations of stakeholders on the content and disclosure of ESG report.

Environmental, Social and Governance Report

STATEMENT BY THE BOARD

The Group recognises the importance of environmental, social and corporate governance for sustainable corporate development. Accordingly, the Group has established an ESG management framework to ensure the relevant ESG policies are effectively implemented in its operations. The Board of the Group (the “**Board**”) is primarily responsible for monitoring ESG governance issues relating to the Group, including determining ESG governance programme, understanding and controlling ESG-related risks, and monitoring the formulation and implementation of relevant policies and measures by the management and relevant departments. The Board also requires the Group’s management to report to the Board on ESG-related issues and subsequent developments in a timely and proactive manner, such as significant deviations from expected targets in ESG performance indicators, serious ESG incidents, changes in regulatory requirements, etc.

The Board is responsible for:

- appointing the Group’s key person responsible for ESG issues;
- approving ESG strategies, action plans and goals;
- monitoring the progress and performance of ESG-related measures;
- approving the implementation of ESG-related measures and monitoring the resources required;
- raising appropriate ESG-related questions, inquiries and recommendations to the management; and
- reviewing and approving annual ESG reports.

The management is responsible for:

- identifying and assessing the Group’s ESG risks and opportunities and report to the Board;
- developing ESG strategies, action plans, goals and arranging relevant work accordingly;
- ensuring appropriate and effective ESG risk management and internal monitoring systems being in place;
- providing guidance for the implementation of ESG policies and measures;
- reporting to the Board on the progress and performance of ESG work; and
- reviewing the annual ESG report and submitting it to the Board for approval.

Environmental, Social and Governance Report

The functional departments are responsible for:

- coordinating and implementing the specific ESG policies and measures;
- reporting ESG work and performance indicators to the management regularly;
- collecting the information and data on the Group's ESG performance; and
- preparing the annual ESG report and reporting to the management.

The Board will continue to monitor the ESG-related work and keep abreast of the latest ESG disclosure requirements and regulations of the Hong Kong Stock Exchange. The Board will also ensure that all departments work closely to achieve the goals of operational compliance and shouldering social responsibility and set clearer ESG goals for the Group in the future to better meet the expectations of stakeholders. As of the date of this ESG Report, the board of directors of the Group comprises:

| Executive Directors | Non-executive Directors | Independent non-executive Directors |
|---|--------------------------------------|---|
| Mr. Luo Yefei (Chairman) Mr. Cao Yang (Vice-Chairman) Ms. Yan Jingfen Ms. Zhou Yumei | Mr. Mao Weiyong Mr. Wang Mingming | Mr. Chow Ching Ning Mr. Wang Yashan Mr. Wu Xuekai |

A. ENVIRONMENTAL ASPECTS

The Group believes that a healthy environment is the essential foundation for sustainable growth, not an obstacle to it. As a socially and environmentally responsible corporation, we are committed to minimising our consumption of natural resources and reducing our environmental impact, striving to be a pioneer in conservation.

The Group reported no significant instances of environmental non-compliance during FY2025.

Environmental, Social and Governance Report

A1. EMISSIONS

Air Pollution Emissions

In view of the Group's business focusing on the design, promotion and sales of menswear, which are services in nature, its business activities and production process do not involve any fuel gas or fossil fuels. The major sources of air pollution emissions are mainly derived from the fuels used for the Group's four automobiles (for the year ended 31 December 2024 ("FY2024"): four automobiles), which are used to pick up employees or customers in the daily course, and the resulting air pollution emissions include NOx, SOx and PM. During FY2025, the Group discharged an aggregate of approximately 29.2 kg (FY2024: 13.7 kg) of air pollutant emissions arising from its operation with an emission density per automobile of approximately 7.3 kg (FY2024: 3.4kg), representing an increase of approximately 113.1% and 114.7% as compared to the total amount and the emission density of air pollutant emissions discharged by the Group during FY2024, respectively, which was mainly due to the increased need for the use of our diesel vehicles for business purposes.

| Source of Emission(s) | Air Pollution Emissions | Amount of Air Pollutant Emissions in FY2024 (kg) | Amount of Air Pollutant Emissions in FY2025 (kg) |
|---|-------------------------|--|--|
| Emissions from vehicles | Nox | 12.8 | 27.6 |
| | Sox | 0.2 | 0.1 |
| | PM | 0.7 | 1.5 |
| Data of Air Pollutant Emissions | | | |
| Total Amount of Air Pollutant Emissions | | 13.7 | 29.2 |
| Average Air Pollutant Emissions (kg/automobile) | | 3.4 | 7.3 |

The Group has implemented several measures to reduce and control air pollutant emissions, such as appropriately controlling the frequency of use of commercial automobiles, planning routes in advance to improve the efficiency of automobile use, and adopting express delivery logistics for most deliveries to reduce air pollutant emissions. Automobiles used by the Group for business purposes are regularly maintained and inspected to ensure their proper functioning and to avoid additional fuel consumption due to low fuel efficiency. In addition, the Group also encourages staff to plan drive route in advance before driving, so as to reduce unnecessary fuel consumption caused by prolonged driving time.

Looking forward, the Group will continue to inspect and maintain its automobiles on a regular basis and encourage its employees to take public transport, with a view to reducing the emission of air pollutants as far as practicable in the future and maintaining the same level of emission targets as in the past financial year.

Environmental, Social and Governance Report

Greenhouse Gas (“GHG”) Emission

The continued GHG emissions will cause extremely severe impacts to the environment such as climate change and will pose great threats to the global ecosystem. The GHG emissions of the Group mainly came from the use of the above-said four automobiles (FY2024: four automobiles) and the electricity consumption by the Group’s business activities in Ningbo base as well as the indirect GHG emission from other various business activities such as the electricity used for the treatment of drinking water and sewage and business air travel by employees. Considering this, in addition to regularly monitoring the operation of vehicles, the Group also made efforts to reduce electricity and water resources consumption, including formulating policies on the efficient use of resources to implement measures of reducing carbon emission from the source.

The total amount of GHG emissions generated by the Group in FY2025 was approximately 441.3 tonnes (FY2024: 494.0 tonnes), of which 5.6% (2024: 6.1%) was direct emissions from the use of vehicles, 75.3% (FY2024: 75.7%) was indirect emissions from electricity consumption of the headquarter in Ningbo, and the remaining 19.0% (2024: 18.2%) was indirect emissions from other sources. Direct GHG emissions from the use of vehicles decreased from approximately 29.9 tonnes to approximately 24.9 tonnes, representing a decrease of approximately 16.7%. This was mainly due to the decrease in use of petrol oil.

On the other hand, the Group’s energy-saving measures, such as the use of motion sensor radar electronic switches in public areas (including washrooms, corridors, etc.) and the replacement of energy-saving light fixtures, etc., have resulted in our indirect GHG emissions due to the use of purchased electricity amounting to 332.4 tonnes in FY2025 (2024: 373.8 tonnes), which representing a decrease of approximately 11.1%.

Due to the decrease in business activities, the demand for our employees to travel by air for business purposes has decreased during FY2025. The decrease in emissions reflects our commitment to sustainable practices in our core business activities, and the indirect GHG emissions from business air travel by employees have decreased by approximately 6.7% when compared with FY2024, from approximately 89.1 tonnes to approximately 83.1 tonnes.

Environmental, Social and Governance Report

| Scope | Source of GHG emission | GHG emissions for FY2024 (tonne) | GHG emissions for FY2025 (tonne) |
|---|--|----------------------------------|----------------------------------|
| Scope 1 | Direct GHG emission from the use of vehicles | 29.9 | 24.9 |
| Scope 2 | Indirect GHG emissions from the electricity purchased by the Group's headquarter in Ningbo | 373.8 | 332.4 |
| Scope 3 | Electricity consumed for treatment of drinking water and sewage | 1.1 | 0.9 |
| | Business air travel by employees | 89.2 | 83.1 |
| Data of GHG emissions | | | |
| Total GHG emissions (tonnes) | | 494.0 | 441.3 |
| GHG emissions per capita (tonnes/number of staff) | | 1.9 | 1.5 |

Given that a substantial portion of the GHG emissions was derived from electricity consumption, the Group posted slogans internally to remind the employees to unplug idle electrical appliances and encouraged them to adopt natural light to reduce electricity consumption. With the enhanced measures implemented by the Group, the total GHG emissions in FY2025 maintain a similar level as compared to FY2024.

The Group remains dedicated to minimising its GHG emissions and environmental impact. Our ongoing strategy focuses on:

- **Reducing Transportation Emissions:** We encourage employees to opt for public transport, particularly for commutes that fall within recommended time and distance parameters, to reduce direct emissions from company vehicle use.
- **Optimising Resource Efficiency:** We promote a culture of conservation, conduct regular energy efficiency checks on appliances, and implement practical measures to avoid unnecessary consumption of electricity and other resources.

Environmental, Social and Governance Report

Waste Management

In FY2025, the Group's business activities generated no hazardous waste. Our non-hazardous waste stream primarily consisted of office paper, all of which was recycled through a third-party service, ensuring zero landfill disposal. To further minimise paper consumption, we encourage double-sided printing, paper reuse, and a preference for electronic documents. These efforts are supported by ongoing monitoring and review of our business processes. Additionally, at our headquarters canteen, we have established dedicated recovery stations for kitchen waste, food scraps, and tableware. This initiative ensures canteen waste is recycled, further reducing our overall landfill footprint.



Paper re-cycling

Environmental, Social and Governance Report

A2. USE OF RESOURCES

As an environmentally responsible enterprise, the Group recognises that reducing our carbon footprint must begin at the source. We therefore encourage employees to conserve resources like water, electricity, and paper in their daily work. Furthermore, we have established environmental targets for resource consumption and implemented corresponding measures to achieve our carbon reduction goals.

Energy Consumption

The major carbon footprints of the Group came from electric energy consumption. The electric energy consumption of the Group's headquarters in Ningbo decreased by approximately 4.4% to approximately 626.4MWh for FY2025, as compared to 655.5MWh for FY2024. In addition to electric energy consumption, vehicles of the Group are also driven by petrol or diesel, which leads to energy consumption. In FY2025, the total energy consumption of the Group was approximately 717.1MWh (FY2024: 764.6MWh) and the energy consumption per capita was approximately 2.4MWh/person (FY2024: 2.9MWh/person). This decrease reflects the Group's progress in implementing measures to minimise its energy consumption.

To reduce electricity consumption, the Group has implemented a multi-faceted approach. Posters in offices and canteens remind staff to turn off unused appliances like air conditioners and lights. Furthermore, office corridors and windows are designed to maximise natural light, and energy-efficient appliances are prioritised throughout our facilities, minimising energy use across all operations.

Energy Consumption Targets

While a slight decrease in electricity consumption during FY2025, the Group will continue to promote the virtue of energy conservation among our employees and continue to monitor the electricity consumption of our offices and new showrooms in our future operations, so as to maintain a similar level of electricity consumption to that in the current year as possible.

Water Resource Consumption

The consumption of water resources has always been a global concern of environmental issues. While the Group is actively building an internationally well-known brand, saving water is one of the important goals for the Group. The water consumption of the Group in FY2025 was approximately 1,425.9 m³ (FY2024: 1,608.6 m³), representing a decrease of approximately 11.4% as compared with FY2024. The density of relevant water consumption decreased to 4.8 m³ per capita (FY2024: 6.1 m³ per capita). This decrease reflects the Group's progress in implementing measures to minimise its water resource consumption.

Environmental, Social and Governance Report

The Group continues to promote water conservation among employees. Recently, we upgraded washroom facilities with water-saving urinals featuring smart sensors and small-volume flush tanks, which have reduced per-unit water consumption by an estimated one-third compared to the previous year. Additionally, to enhance safety and efficiency, we replaced personal kettles with centralised, purified water dispensers. These combined measures have reduced electricity consumption from non-essential appliances, lowered water usage, and contributed to a decrease in our overall carbon footprint. It is also noted that in FY2025, all water was sourced from the municipal supply, with no issues regarding water security.

Water Resource Consumption Target

The Group recorded a decrease in water consumption in the year and will keep encouraging employees to save water where possible to avoid waste. The Group will also strive to maintain in the future a similar level of water consumption to that in the year through the measures as mentioned above.



Water saving sign

Packaging Materials

In FY2025, the Group's packaging was predominantly plastic bags for apparel sales. Quantifying total consumption was not feasible due to challenges in collecting data from each individual and franchised store. Despite this, we maintain a focus on source reduction during sales activities and have established consolidated recycling measures for packaging waste. This ensures stronger oversight and responsible handling of materials at end-of-life.

Environmental, Social and Governance Report

A3. THE ENVIRONMENT AND NATURAL RESOURCES

In addition to the aforementioned energy and water reduction measures, the Group has also implemented various environmental protection measures at its headquarters in Ningbo in order to achieve the aforementioned goal of reducing emissions at source for all parties.

The base of the Group in Ningbo with garden concept design achieves the goals of green environment by growing various types of plants. Such an initiative not only provides employees with a comfortable and healthy working environment but can also have a direct positive impact on reducing carbon emissions. In addition, the interior of the office building is designed to source natural light to avoid unnecessary lighting and thus save electric energy.

In terms of the maintenance of natural resources, in order to promote the reduction of gas emissions caused by the use of vehicle fuels, the Group has established a new energy vehicle charging station at the headquarter to provide charging services for electric vehicles of our employees.



Our office environment

Environmental, Social and Governance Report

CLIMATE-RELATED DISCLOSURES

Climate change refers to long-term changes in temperature and weather patterns. Although these changes may be caused by natural causes, human activities are becoming the main cause of climate change with the rapid development of economic and industrial activities, especially the consumption of energy and resources such as the burning of fossil fuels such as coal, oil and natural gas.

The Group acknowledges the pressing need to participate in global efforts to mitigate the impacts of global warming. Given the uncertainties associated with climate change, the Group faces potential physical risks and transition risks. Accordingly, integrating climate-related considerations into the Group's decision-making processes is essential for capital allocation and supply chain management, supporting the development of robust action plans to adapt its operations to a changing climate.

Governance

The Board holds primary responsibility for overseeing climate-related matters, including setting our climate strategy and policies and overseeing the progress toward climate goals. By implementing a top-down approach, the Group ensures strong interdepartmental collaboration, giving decision-makers clear visibility into daily operations and supporting the development of effective climate-related strategies and plans. The responsibilities are set out as below:

The Board is responsible for:

- Reviewing and approving climate strategies and policies;
- Overseeing achievement and advancement of climate-related performance targets; and
- Overseeing climate-related risks and opportunities.

Management is responsible for:

- Formulating climate-related strategy and approach in response to climate-related risks and opportunities identified;
- Communicating with the Board on emerging climate-related matters impacting the company; and
- Approving and regularly reviewing the progress of the climate-related performance targets.

Environmental, Social and Governance Report

Management is responsible for:

- Coordinating and implementing climate-related measures;
- Identifying, assessing and reporting climate-related risks and opportunities to the Management;
- Developing climate-related performance targets; and
- Reporting to the Management on the progress of climate-related performance targets.

To ensure effective execution of climate strategies and achievement of climate targets, our Board oversees climate-related risks and opportunities during the board meetings on an annual basis.

To ensure our Board possesses the necessary skills and competencies to oversee strategies addressing climate-related risks and opportunities, we will provide them with annual training on climate-related topics.

Strategy

Climate-related risks and their potential effects on business models and value chain

Physical risks arise from the direct impacts of climate change, including acute events such as typhoons, heavy rainfall, floods and wildfires, as well as chronic trends including rising temperatures and altered precipitation patterns. As climate change intensifies, the Group faces increasing physical risks from more frequent and severe extreme weather events. Such events may directly endanger employee safety, cause disruptions to our operation and logistics networks, interrupt supply chain operations, hinder the Group's normal business operation, and lead to elevated operational costs and potential financial losses. To address these risks, the Group has established an emergency response team led by designated management and supported by on-duty personnel to enhance preparedness for adverse weather. The team develops response arrangements in line with government directives and weather alerts to mitigate potential crisis impacts. Given that typhoons represent the primary physical risk to the Group's operations, the Company further strengthens risk prevention by issuing timely weather-based warnings to employees and departments and requiring proactive preventive measures to minimise potential losses.

Transition risks arise from the global transition to a low-carbon economy, encompassing policy and regulatory risks, market risks and technological risks. The continued introduction of climate-related policies, regulations and international commitments may significantly increase the Group's policy and market risks during its decarbonisation process. Mechanisms such as environmental taxes, carbon pricing and carbon emission trading schemes may impose additional compliance costs and raise overall operating expenses, thereby adversely affecting the Group's profitability and financial condition. Moreover, adapting business models, products and operations to meet evolving consumer and market demands for environmental performance, in order to sustain corporate reputation and market competitiveness, may require substantial additional investment and increase ongoing operating costs. Despite these challenges, the Group remains committed to environmental sustainability and will continue to adopt proactive measures to manage transition risks and support long-term sustainable development.

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Climate-related opportunities and strategy and decision-making

The Group recognises that the global transition to a low-carbon economy presents not only risks but also substantial climate-related opportunities for its men's wear design, production and sales business. The Group is committed to seizing these opportunities to strengthen its core competitiveness, advance sustainable development and create long-term value for shareholders, customers, employees and other stakeholders.

Growing market demand for green and low-carbon men's wear products has created incremental business potential for the Group. Amid heightened environmental awareness among consumers, preferences for eco-friendly, sustainable and low-carbon footprint products are increasing significantly. The development of a circular supply chain also represents an important opportunity for the Group to stabilise production costs and enhance supply chain resilience. Given that the men's wear manufacturing process involves a wide range of raw and auxiliary materials (including fabrics, sewing threads and buttons), the circular utilisation of resources can effectively reduce costs and mitigate related operational risks.

To capitalise on these opportunities, the Group plans to accelerate product innovation and sustainable operation through the following initiatives:

- **Resource recycling:** Establish a recycling system for waste fabrics, cutting leftovers and packaging materials generated during production, and collaborate with professional institutions to process and reuse such resources (for instance, converting waste fabrics into jacket filling and reusing recycled packaging). This will reduce the Group's reliance on scarce raw materials and alleviate volatility in raw material prices.
- **Optimised product design:** Adopt minimalist design principles to minimise material waste during production, and develop detachable and recyclable products to extend product lifespans, in line with the circular economy concept.
- **Green packaging promotion:** Replace traditional plastic packaging with recyclable and biodegradable materials, and advocate zero-waste packaging to reduce plastic pollution. Such measures will enhance the Group's brand image and attract environmentally conscious consumers.

These initiatives not only respond to evolving market demand but also enable the Group to develop differentiated competitive advantages in the men's wear market, thereby facilitating market share expansion and sustainable improvement in brand value.

In view of the significant uncertainty involved in estimating the resources required to support the above actions, we consider it premature to provide quantitative financial disclosures at this stage. We will continue refining our assessment processes and plan to disclose the information once the underlying estimates become robust and meaningful for our stakeholders.

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Financial position, financial performance and cash flows

Given the inherent uncertainties involved in measuring both the current and projected financial impacts of climate related risks and opportunities, the Group considers that quantitative financial disclosure is not yet appropriate at this stage. The Group will continue to refine its climate assessment and modelling methodologies and intends to disclose relevant quantified financial information in due course, once the underlying estimates become sufficiently reliable, robust and decision useful for stakeholders.

Climate resilience

After careful assessment and consideration, we concluded that the incremental cost and additional resources required to conduct scenario analysis for assessing the resilience of our strategy and business model to climate-related changes and uncertainties currently outweigh the benefits of such disclosure. Therefore, we have decided not to undertake scenario analysis at this stage. We will continue to monitor regulatory expectations and enhance our internal capabilities to determine the appropriate timing for future adoption of scenario analysis.

Risk Management

Our risk management process generally covers the following elements: risk identification, risk assessment, risk prioritisation and risk management, which are key aspects to inform risk integration. Climate-related opportunities are as equally important, and the execution of risk management processes may facilitate the identification of opportunities.

Climate-related risks, which includes both physical risks transition risks, are embedded within our comprehensive risk management framework, ensuring they are addressed alongside other key corporate risks. This integrated approach provides clear governance and structured processes for identifying, assessing, mitigating, and monitoring climate-related risks across our operations.

To maintain transparency and accountability, risk assessments are conducted and findings are reported to senior management on an annual basis. This enables informed decision-making and ensures that climate considerations are factored into strategic planning, capital allocation, and operational resilience initiatives.

Through this year's climate-related scenario analysis, we identified three material physical risks and three material transition risks that are relevant to our business. For further details, please refer to the "Climate-related risks and their potential effects on business models and value chain" section.

Metrics and Targets

To provide a comprehensive view of the Group's ESG performance, we adopt the operational control approach in measuring GHG emissions. Under this approach, we account for 100% of emissions from operations where we have major or full authority to introduce and implement operating policies.

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The Group quantifies its GHG emissions in accordance with the guidelines set out in “How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange on 31 December 2025. Our GHG emissions include CO₂, CH₄ and N₂O and are converted to reflect the CO₂ equivalent. Please refer to ‘A.1 Emissions – Greenhouse Gases Emissions’ section for the details of our absolute gross greenhouse gas emissions.

Cross-industry metrics

In light of the significant uncertainty inherent in estimating the scale and proportion of business activities and assets exposed to climate-related risks and opportunities, the Group considers it premature to provide quantitative financial disclosures at this stage. The Group will continue to enhance its analytical methodologies and intends to disclose relevant data once sufficiently robust estimates are available to support informed decision-making.

Internal carbon prices

Following a comprehensive assessment, the Group has determined that the development of an internal carbon price may not represent the most effective allocation of resources at the current stage. Accordingly, the Group will prioritise other climate-related initiatives with more tangible impact, while remaining receptive to adopting internal carbon pricing as its capabilities and business requirements evolve.

Remuneration

Based on the Group’s assessment, climate-related considerations have not been integrated into the current remuneration policy. The Group will continue to monitor evolving regulatory expectations and market best practices in this regard.

Climate-related targets

Please refer to ‘A1. Emissions’ and ‘A2. Use of Resources’ sections for the details of our emissions goals and our progress towards these goals.

Through the implementation of effective environmental policies and staff training, the Group has achieved positive outcomes in managing resource consumption. While GHG emissions may be materially affected by business performance in a given period, the Group will continue to proactively implement appropriate policies and measures, including emission reduction initiatives, with a view to achieving improved environmental performance in the future.

Active employee engagement is critical to enhancing environmental awareness and realising green operations in daily practices. In addition to promoting environmental literacy among employees, the Group will continue to explore feasible measures to further embed its green commitments, with the aim of strengthening decarbonisation efforts and building a sustainable future.

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B. SOCIAL ASPECTS

B1. Employment

Employees are among the Group's most valuable assets. We offer competitive benefits, career development and training opportunities, and a harmonious, healthy working environment. As employees contribute to the Group's success, they also receive our full support, enabling the parallel growth of both the Group and our people.

Our Staff

To deliver the highest quality service to our customers and position the Group to meet future opportunities and challenges, we recruit employees based solely on work experience, competence, and ability to create value. The Group does not discriminate on the grounds of gender, sexual orientation, age, national or ethnic origin, family status, or any other personal characteristic.

As of 31 December 2025, we employed a total of 300 employees (FY2024: 265 employees), all from mainland China. Our employees are among various age groups, with a male-female percentage ratio of total employees of approximately 47%:53% (FY2024: 49%:51%), almost achieving gender equality. In addition, different types of employment contracts are adopted to enhance diversity and inclusiveness among employees, with 26% of employees with permanent employment contracts, 68% with fixed-term employment contracts, 4% with post-retirement re-employment contracts and 2% with employment contracts for disabilities individuals.

The proportion of employees with more than five years of service with the Group reached 31% (FY2024: 36%) and 42% (FY2024: 45%) with more than three years of service. These decreases are primarily attributable to new hires and an overall increase in total headcount. The total number of employees with more than three years of service stands at 218 employees, representing more than 70% of the total number of employees, which reflects that a close relationship has been established between the Group and its employees.

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Staff Compensation

To support the concurrent development of the Group and its employees, the Group offers competitive remuneration packages that include, but are not limited to, on-the-job training, bonuses, and travel allowances. The Group would also carry out performance appraisals based on the individual performances of the employees on a quarterly and semi-annual basis to encourage them to set up their own clearly defined goals. Based on the evaluation results, employees would be awarded the titles of “commendation”, “reward” or “promotion or conferring honorary title” to motivate them to continuously improve and to ensure their performance meets the expectations and requirements of the Group. The Group has purchased various social insurance and made contributions to housing provident funds for all employees. The Group strictly follows the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》), the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant regulations in an effort to guarantee the due benefits entitled to the employees and offer them the best remuneration package.

Work-life Balance

In order to ensure our employees can strike a balance between work and life, and maintain a balanced and healthy lifestyle, we have implemented a standard working hour system, which stipulates that the working hours of employees per day shall not exceed eight hours and the average working time per week shall not exceed 44 hours. Apart from weekly rest days and the statutory holidays, employees were also entitled to maternity leave, funeral leave, marital leave and family planning leave. The Group’s vacation system was also established based on the actual circumstances to ensure sufficient break time of its employees. In addition, the Group offered various amenities for its employees, including staff canteens and organised a variety of staff events, to increase their sense of belonging to the Group. The Group also arranged after-work group activities for its employees, including a monthly staff birthday party, so that employees from different departments could know each other through games and interaction. Such communication and a series of activities have strengthened teamwork spirit, cohesion, and the initiative and execution among employees.

During FY2025, the monthly average personnel turnover rate of the Group was slightly decreased to about 2.8% during FY2025 (FY2024: 3.8%). The average staff turnover rate by age group was approximately 5.8% (18-25), 3.5% (26-35), 2.1% (36-45), 1.1% (46-55) and 3.4% (56-65), and the average staff turnover rate by gender was approximately 3.0% (male) and 2.6% (female).

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Staff birthday party

New employee welcome run



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B2. Health and Safety

We are committed to providing a safe working environment for our employees and have implemented the following measures. We have formulated a “Fire Emergency Plan” that sets out the emergency procedures for fire incidents, and we regularly organise fire safety training seminars and fire drills to ensure all employees can respond safely and effectively. Our office building is equipped with fire protection equipment, such as fire extinguishers and fire hydrants, which we inspect regularly to confirm they remain in good working condition. In the event of an emergency, employees have timely access to the office first aid kit for immediate medical assistance. In addition, the Group has also regularly purchased labour protection products to ensure that employees in production jobs have available and sufficient protective equipment at work, thereby promoting a healthy and safe working environment.

Any employee suffering from work-related injuries is entitled to indemnification treatment in accordance with relevant national regulations, and the Group will also provide sufficient work-related injury leave to enable employees to have sufficient rest. During FY2025, the Group has no record of work-related injuries (FY2024: nil). The Group will provide employees suffering from work-related injuries with sufficient sick leave for recuperation in case of such an event. During FY2025 and the financial years ended 2024 and 2023, the Group did not record any accidents that caused serious injuries and deaths to employees. The Group will continuously strive to provide employees with a healthy and safe working environment.



Annual fire drill



Firefighting equipment is installed in our office.

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B3. Development and Training

We understand that the progress of the employees is indispensable for the Group's sustainable development. Therefore, the Group provides adequate and effective training for its employees. It also emphasises that the employees' competency must meet the expectations and requirements of the Group so that they can complement each other. All newly joined employees are subject to a 3-month probationary period and evaluation, during which the department head will provide advice and comments based on their performance to ensure that their abilities and performance meet the Company's standards.

The Group has established the "Training Management" system and provides both internal and external training to employees on an ongoing basis to enhance their work capabilities. If an employee does not achieve satisfactory results in their performance appraisal, the Group offers additional training to ensure they meet the requirements of their position. In addition, the Group also provides on-the-job training for front-line staff to familiarise them with the business processes of departments and position, as well as staff codes such as personnel systems and anti-corruption mechanisms, so that they can more easily integrate into and adapt to the new working environment. After each training course, the Group will listen to the feedback from each employee to improve the training content to maximise its effectiveness.

During FY2025, the number of employees of the Group who received training was 123 (FY2024: 217), accounting for approximately 41% (FY2024: approximately 82%) of the total number, while the total training hours were 923 hours (FY2024: 1,736 hours). During 2025, we provided training for staff at all levels. The number of frontline staff who received training was 106, the number of middle management personnel who received training was 13, and the number of senior management personnel who received training was 4. In addition, the percentage of employees who received training by gender was 41% male employees and 59% female employees.

On the other hand, the average training hours per trainee amounted to approximately 7.5 hours (FY2024: 8 hours). The average training hours per employee by gender were approximately 2.7 hours and 3.4 hours for each male and female employee, respectively. In order to demonstrate the Group's determination and commitment to improving the employees' workability, the Group will continue to put forward trainings on employees at all levels in the future.

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B4. Labour Standard

The Group strictly abides by the Labor Law of the People's Republic of China and provides employees with remunerations no lower than the local statutory minimum wage and does not employ child labour or forced labour. When hiring new employees, the human resources department is responsible for reviewing the applicant's identification documents to ensure that no underage child labour is employed. During FY2025, there was no material non-compliance with applicable laws and regulations in relation to labour standards. In addition, there was no cases of forced labour in the Group. The Group undertakes to maintain strict compliance with the Standard of regulations at any time. Any employee facing or discovering violations can report to the management through the reporting mechanism, and the management will take it seriously and take appropriate actions to follow up.

B5. Supply Chain Management

As the Group is principally engaged in the design and production of menswear, we place strong emphasis on supply chain management. The Group's suppliers are primarily original equipment manufacturers ("**OEM Suppliers**"), whereby the Group provides equipment and technology, the manufacturers are responsible for production, and we retain responsibility for sales.

During FY2025, we cooperated with 150 suppliers, and all our suppliers are from the Chinese Mainland. Our OEM suppliers include those who purchase raw materials independently and deliver finished products, as well as those who process products using raw materials and fabrics supplied by the Group. In the supplier selection process, we conduct background checks, assess the quality of supplies, and perform on-site inspections of production facilities to ensure that all materials and goods meet the Group's stringent specifications and standards. Suppliers that pass this review are added to the list of qualified suppliers and are evaluated quarterly on pricing, quality, efficiency, reliability, punctuality, and credit rating.

The Group selects reputable and reliable suppliers capable of delivering products and services that are high in quality, reasonably priced, and sustainably sourced. A transparent and independent procurement process is in place to enhance competitiveness while advancing the interests of our shareholders and other stakeholders. By integrating procurement resources and promoting a robust system for supplier selection and management, the Group aims to build a vertically integrated supply chain management system and proactively offer comprehensive solutions that meet customer needs. The Group encourages its suppliers to participate in corporate social responsibility activities and adhere to established CSR principles. The Group upholds high ethical standards in all commercial dealings and strictly prohibits the provision or acceptance of bribery or any other improper benefits. Although the Group's core business does not involve environmental products or services, it nonetheless expects its suppliers to comply with relevant environmental standards and regulations, and to make every effort to conserve resources.

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B6. Product Responsibility

In order to maintain the leadership and sustainability of its apparel brand, the Group sells menswear and related products with quality that meets or exceeds industry standards—safeguarding both its reputation and the public interest. In addition, the Group places strong emphasis on building long-term, mutually trusting relationships with its customers, reflecting its commitment to a customer-oriented principle.

Quality Control

The Group requires suppliers to submit samples of raw materials to a nationally recognised quality supervision and inspection centre for textile and apparel products for comprehensive testing. Only materials that pass the test are purchased.

The quality assurance team monitors key stages of the OEM Suppliers' production processes to ensure compliance with the Group's technical and quality requirements. During the initial production stage, the Group conducts site visits and quality tests on raw materials, semi-finished goods, and components used by suppliers.

During the initial stage of production, the Group will conduct site visits for the raw materials, semi-finished goods and components used by the OEM Suppliers in the production process, as well as conduct quality test on the said subjects.

During the middle and final stages of production, the quality assurance team performs sample-based inspections to verify that the quality, specifications, and sizing of finished products meet contractual requirements.

For existing inventory, the quality inspection team conducts random spot checks and sends samples to the nationally recognised testing centre for comprehensive inspection to ensure that no quality issues have arisen during logistics or warehousing.

Accordingly, the Group did not experience any recalls of sold or shipped products for safety and health reasons during 2025.

Customer Complaint and Return Process

Positioned as a pioneer garment seller, the Group places great importance on after-sales services in order to build relationships with its customers based on mutual trust. An after-sales service management system has been established, under which after-sales commissioners address customer inquiries and returns. They handle complaints and requests promptly and professionally, with each case documented to record the nature of the issue and the follow-up arrangement, including return, replacement, or repair, thereby facilitating future follow-up and continuous improvement. These records also serve as a reference for the quality inspection team to enhance standards. During FY2025, the Group received a total of 14 product and service complaints (FY2024: 9), all of which were comprehensively addressed by our after-sales commissioners.

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Membership System

In order to attract customers to build a long-term and sustainable relationship with the Group, the Group has established a membership system. Customers who are registered as the Group's VIP members are entitled to additional consumer rights. The Group highly values the privacy and personal information of its members, which can only be accessed by the authorised staff of the Group. The Group has entered into a confidential agreement with its staff, prohibiting them from leaking customers' information with the aim to safeguard the interests of every customer.

Observing and Protecting Intellectual Property Rights

We recognise the importance of observing and protecting our intellectual property rights, and therefore we will avoid infringing on the intellectual property rights of others. If any of our employees are found to have infringed on the intellectual property rights of others, we will adopt a zero-tolerance policy and, if necessary, may consider taking legal action.

B7. Anti-Corruption

The Group has established a written anti-corruption policy prohibiting any act of bribery, extortion, fraud or money laundering, so as to set up a good commercial operation structure. Dishonest behaviours prohibited by the Group mainly include but are not limited to:

- Offering and accepting bribes;
- Provision of illegal political contributions;
- Improper charitable donation or sponsorship;
- Provision or acceptance of unreasonable gifts, entertainment or other improper interests;
- Other defined misconducts.

The Group requires its employees to strictly abide by the Prevention of Bribery Ordinance, and requires suppliers to sign the Sunshine Agreement, making the commitments as follows: while engaging in business practices, suppliers must not directly or indirectly provide, undertake, require or accept any illegitimate benefits, or carry out other dishonest acts in breach of good faith, law or national regulations, including criminal offences such as corruption, bribery, extortion, fraud or money laundering, and other acts such as providing illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainments or other illegitimate benefits, infringing business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engaging in unfair competition, etc. Employees of the Group are required to report any benefits received, for which the Group will make the final decision and disposal.

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In FY2025, neither the Group nor its employees were prosecuted for corruption, bribery, extortion, fraud or money laundering.

To foster an incorrupt and honest working environment, the Group provides anti-corruption training to ensure employees understand the Group's code of conduct and anti-corruption regulations, reinforcing their sense of integrity and self-discipline in the workplace. In addition, the Group engages professional lawyers to deliver anti-corruption training or seminars for directors, enhancing their understanding of legal risk prevention.

Whistle-Blowing Channel and Policy

The Group has established a written whistleblowing monitoring procedure, encouraging employees to report and file complaints relating to fraud and immoral behaviour which they discovered or have been informed about. The whistleblower shall truthfully report the situation to the Administration Centre. Upon receipt of the whistleblowing matter, the Administration Centre will investigate the complaint. The Administration Centre will keep the whistleblower's personal information confidential, strictly safeguard the whistleblowers and relevant witnesses in accordance with the counter-retaliation mechanism, and will submit the case to the competent external agency for handling when necessary. The whistleblowing policy of the Group enables its employees to report, in confidence, about possible improprieties in the Group, allowing the Group to take proactive measures and appropriate actions, in a timely manner, to uphold its integrity and long-term sustainability. Nonetheless, employees of the Group are reminded that it is unethical to fabricate facts. Falsifying evidence or conducting false charges against any persons may result in possible legal actions, therefore, such actions are discouraged.

B8. Community Investment

The Group upholds the philosophy of giving back to society. Apart from the continual and robust operation of business development, the Group makes active efforts to demonstrate the service spirit of its core corporate values, integrates the ideas of community concern and participation, and continues to devote itself to all kinds of education, cultural and social welfare activities.

As a well-known brand in China, we always adheres to the core values of "pragmatic, progressive, innovative and sharing", contributes to public welfare, dedicates without borders, continuously enriches public welfare initiatives, continues to deepen the influence of the brand, and makes significant contributions to the social charitable cause, and devotes itself to creating an environment for the dissemination of positive energy in the society and leading more people to the public welfare cause.

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As an outstanding representative of Ningbo's garment industry, we always upheld a strong sense of social responsibility. For many years, we have been dedicated to donating winter clothing to those in need, embodying care and warmth through our actions. We demonstrate through our actions that a company's strength lies not only in commercial success but also in its commitment to social responsibility. In the days ahead, we will continue to extend this spirit of kindness, allowing more people to feel the warmth of the winter sun and letting love and warmth take root and flourish in more places, shining brightly.

During FY2025, we donated a total amount of approximately RMB300,000 to charitable organisations. In addition, we also organised our employees to participate in charity activities, we sponsor scholarships to students from 10 special education schools for the disabled in Ningbo.

Going forward, the Group will remain steadfast in its mission, actively demonstrating a profound sense of social responsibility. With unwavering commitment, we will continue to give back to the communities we serve and extend compassion and care to those in need, spreading hope and positive impact far and wide.

Scholarship sponsorship ceremony



Environmental, Social and Governance Report

ENVIRONMENTAL ASPECTS DATA

| | FY2024 | FY2025 |
|------------------------------------|---------------------------------|---|
| Air pollution emissions | | |
| Total air pollution emissions | 13.7 kg | 29.2 kg |
| Air pollution emission density | Approximately 3.4 kg/vehicle | Approximately 7.3 kg/vehicle |
| Total NOx emission | 12.8 kg | 27.6 kg |
| Total SOx emission | 0.2 kg | 0.1 kg |
| Total PM emission | 0.7 kg | 1.5 kg |
| GHG emission | | |
| Total GHG emission | 494.0 tonnes | 441.3 tonnes |
| GHG emission density | 1.9 tonnes/person | 1.5 tonnes/person |
| Scope 1 | 29.9 tonnes | 24.9 tonnes |
| Scope 2 | 373.8 tonnes | 332.4 tonnes |
| Scope 3 | 90.3 tonnes | 84.0 tonnes |
| Non-hazardous wastes | | |
| Total waste paper disposal | – | – |
| Waste paper disposal density | – | – |
| Energy consumption | | |
| Total electric energy consumption | 655.5 MWh | 626.4 MWh |
| Total energy consumption | 764.6 MWh | 717.1 MWh |
| Energy consumption density | 2.9 MWh/person | 2.4 MWh/person |
| Water resource consumption | | |
| Total water resource consumption | 1,608.6 m ³ | 1,425.9 m³ |
| Water resource consumption density | 6.1 m ³ /person | 4.8 m³/person |

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SOCIAL ASPECTS DATA

| | FY2024 | FY2025 |
|--|--------|--------|
| Number of employees | | |
| Total number of employees | 265 | 300 |
| Number of employees by gender | | |
| Male | 131 | 140 |
| Female | 134 | 160 |
| Number of employees by age | | |
| Under 18 | – | – |
| 18–25 | 27 | 28 |
| 26–35 | 80 | 75 |
| 36–45 | 103 | 137 |
| 46–55 | 38 | 47 |
| Over 56 | 17 | 13 |
| Number of employees by position | | |
| Frontline staff | 220 | 263 |
| Mid level management | 28 | 23 |
| Senior management | 17 | 14 |
| Number of employees by working year | | |
| Less than 1 year | 82 | 88 |
| 1–3 years | 63 | 87 |
| 3–5 years | 24 | 32 |
| 5–10 years | 44 | 44 |
| Over 10 years | 52 | 49 |
| Number of employees by type of employment | | |
| Open-ended contracts | 67 | 77 |
| Fixed-term contracts | 181 | 203 |
| Temporary workers | 1 | 1 |
| Post-retirement employment contracts | 10 | 11 |
| Disabilities individuals | 6 | 8 |

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| | FY2024 | FY2025 |
|--|-----------------------------------|--|
| Number of employees by geographical region | | |
| Chinese Mainland | 265 | 300 |
| Employee turnover rate | | |
| Average monthly turnover rate | 3.8% | 2.8% |
| Employee turnover rate by gender | | |
| Male | 3.9% | 3.0% |
| Female | 3.7% | 2.6% |
| Employee turnover rate by age | | |
| Under 18 | – | – |
| 18–25 | 7.8% | 5.8% |
| 26–35 | 4.7% | 3.5% |
| 36–45 | 3.1% | 2.1% |
| 46–55 | 1.9% | 1.1% |
| Over 56 | 1.5% | 3.4% |
| Employee turnover rate by geographical region | | |
| Chinese Mainland | 3.8% | 2.8% |
| Health and safety | | |
| Reported injuries | No work-related injuries reported | No work-related injuries reported |
| Lost hours | No work-related injuries reported | No work-related injuries reported |
| Development and training | | |
| Total internal training hours for employees | 1,736 hours | 923 hours |
| Total employees trained | 217 | 123 |
| Averaged training hours per trainee | 8 hours | 7.5 hours |
| Percentage of employees trained | 82% | 41% |
| Percentage of employee trained by gender | | |
| Male | 42% | 41% |
| Female | 40% | 59% |

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| | FY2024 | FY2025 |
|---|----------------------------|---------------------------------|
| Percentage of employee trained by position | | |
| Frontline staff | 81% | 86% |
| Mid-level management | 12% | 11% |
| Senior management | 7% | 3% |
| Average training hours completed per employee by gender | | |
| Male | 6.7 | 2.7 |
| Female | 6.4 | 3.4 |
| Average training hours completed per employee by position | | |
| Frontline staff | 8.0 | 7.5 |
| Mid-level management | 8.0 | 7.5 |
| Senior management | 8.0 | 7.5 |
| Supply chain management | | |
| Number of cooperated suppliers | 149 | 150 |
| Product responsibility | | |
| Number of products and service-related complaints received | 9 | 14 |
| Anti-corruption | | |
| Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases | – | – |
| Community investment | | |
| Corporate donations | Approximately RMB4,419,000 | Approximately RMB300,000 |
| Employees' volunteer hours | 22 hours | 1 hours |
| Number of employees involved in volunteer activities | 24 | 2 |

Environmental, Social and Governance Report

ESG REPORTING GUIDE AND REFERENCE

| A. Environmental | | Page(s) |
|--|--|-----------------|
| A1. Emissions | | |
| | Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | P.56 |
| KPI A1.1 | The types of emissions and respective emission data. | P.57 |
| KPI A1.2 | Repealed 1 January 2025 | N/A |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility). | P.60 |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P.60 |
| KPI A1.5 | Description of emission target(s) set, and steps taken to achieve them. | P.60 |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | P.60 |
| A2. Use of Resources | | Page(s)# |
| | Policies on the efficient use of resources, including energy, water and other raw materials. | P.61 |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | P.61 |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | P.61 |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | P.61 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) and steps taken to achieve them. | P.62 |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | P.62 |
| A3. The Environment and Natural Resources | | Page(s)# |
| | Policies on minimizing the issuer's significant impact on the environment and natural resources. | P.63 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | P.63 |

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| B. Social | | Reference in this report |
|--|--|---------------------------------|
| B1. Employment | | Page(s)# |
| Policies and compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | | P.69 |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | P.69 |
| KPI B1.2 | Employment turnover rate by gender, age group and geographical region. | P.69 |
| B2. Health and Safety | | Page(s)# |
| Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. | | P.72 |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | P.72 |
| KPI B2.2 | Lost days due to work injury. | P.72 |
| KPI B2.3 | Description of occupational health and safety measures adopted how they are implemented and monitored. | P.72 |
| B3. Development and training | | Page(s)# |
| Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | | P.73 |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.). | P.73 |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | P.73 |

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| B4. Labour standards | | Page(s)# |
|------------------------------------|---|-----------------|
| | Policies and compliance with laws and regulations relating to preventing child and forced labour. | P.74 |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | P.74 |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | P.74 |
| B5. Supply chain management | | Page(s)# |
| | Policies on managing environmental and social risks of the supply chain. | P.74 |
| KPI B5.1 | Number of suppliers by geographical region. | P.74 |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | P.74 |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | P.74 |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | P.74 |
| B6. Product responsibility | | Page(s)# |
| | Policies; and compliance with laws and regulations relating to health and safety. Advertising, labeling and privacy matters relating to products and services provided and method of redress. | P.75 |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | P.75 |
| KPI B6.2 | Number of products and service-related complaints received and how they are dealt with. | P.75 |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | P.75 |
| KPI B6.4 | Description of quality assurance process and recall procedures. | P.75 |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | P.76 |

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| B7. Anti-corruption | | Page(s)# |
|----------------------------|--|-----------------|
| | Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering. | P.76 |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | P.76 |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | P.77 |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | P.77 |

| B8. Community investment | | Page(s)# |
|---------------------------------|--|-----------------|
| | Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests. | P.77 |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | P.78 |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | P.78 |

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Group is engaged in the design, marketing and sale of formal and casual business menswear in the PRC under two brands, namely FIRS and SHANSHAN, each having distinct product features and brand positioning that are tailored to the preferences of consumers in particular age and income groups. Our products are primarily targeted at male consumers who seek high-quality menswear products.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2024: RMB10,672,000).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Wednesday, 3 June 2026 to Monday, 8 June 2026, both days inclusive, during which period no transfer of shares will be effected.

The record date will be Monday, 8 June 2026 and in order to qualify as the Shareholders to attend and vote at the 2026 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with in case of holders of H Shares, with the Company's H share registrar and transfer office, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, and in case of holders of Domestic Shares, to the Company's registered office address at the Office of the Board, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, no later than 4:30 p.m. on Tuesday, 2 June 2026.

Report of the Directors

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's operating performance for the Year are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 to 9 and pages 10 to 20 of this annual report, respectively.

A description of the potential risks and uncertainties that the Company may be facing and the key financial performance indicators are set out in the sections headed "Management Discussion and Analysis" on pages 10 to 20 of this annual report and "Risk Factors" contained on pages 34 to 56 of the Prospectus. Additionally, the financial risk management objectives and policies of the Company are set out in note 39 to the consolidated financial statements.

Apart from below, the future development of the Group's business is discussed throughout this annual report including in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 to 9 and pages 10 to 20 of this annual report, respectively.

In order to further establish its garment brand and develop its businesses, the Company has acquired the Land Use Rights for the purpose to construct a comprehensive building with a product research and development center therein, a high-end digital intelligent manufacturing plant and a digital intelligent warehouse, for the formal and casual business menswear of the Company. For relevant details, please refer to the announcements of the Company dated 16 November 2023 and the circular of the Company dated 2 December 2023. The total cost of the project is estimated to be approximately RMB280 million, which will be funded by the internal resources of the Group and external financing if appropriate. As the completion and operation of the project will enable the Group to sustain a stable supply of apparel products, the Board expects that the project will bring net positive effect on the Group's profits.

There were no other significant events having an impact on the Group since 31 December 2025, being the end of the financial year under review.

ENVIRONMENT, HEALTH AND SAFETY

The Group's business complies with applicable environmental laws and regulations of the PRC in any material respects. The Group also made every effort to ensure the health and safety of its employees. The Group is equipped with certain emergency medications to handle daily medical matters of the employees. Should there be any critical and urgent medical situations, the Group will send its employees to local hospitals for treatment promptly. The Group also employed qualified property management companies to provide property security services for the Group's park in the premise of its office. As far as the Board and the management of the Company are concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the Group's business and operations in all major respects. There was no serious violation against or non-compliance with applicable laws and regulations by the Group during the Year. Discussion on the Group's environmental policies are contained in the section headed "Management Discussion and Analysis" on pages 10 to 20 of this annual report. For details, please refer to the Environmental, Social and Governance Report contained in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations that had a significant impact on the business and operations of the Group.

RELATIONSHIP WITH KEY STAKEHOLDERS

In regard to the stakeholder relationships, the Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore is dedicated to establishing and maintaining a close and caring relationship with these stakeholders.

Recognising the crucial roles of its customers and suppliers in its business operations, the Group has reinforced its relationship with business partners through ongoing communication in a proactive and effective manner. In particular, the Group continuously interacts with its customers to ensure that the quality of its services has satisfied customers' needs and requirements and will, therefore, meet customers' expectation. Furthermore, the Group is also dedicated to cultivating good relationships with its suppliers to ensure a stable supply of reliable and high-quality products for the Group's daily operation.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of its employees. The Group also places ongoing efforts in providing adequate training and development resources to its employees with the aim of fostering an environment in which the employees can develop to their fullest potential and can achieve personal and professional growth.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2025 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

Report of the Directors

DONATION

During the Year, the Group made charitable and other kinds of donations totaling approximately RMB300,000 (2024: RMB4,419,462).

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

During the Year, the Company did not redeem any listed securities nor did the Company and any of its subsidiaries purchase or sell any of the Company's listed securities (including sales of treasury shares, if any). As at 31 December 2025, the Company did not hold any treasury shares.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2025, the distributable reserves of the Company, calculated in accordance with the provisions of the PRC Companies Law, amounted to approximately RMB96,375,648 (2024: RMB99,337,391). The movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 114 of this annual report and in note 41b to the consolidated financial statements, respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding five financial years is set out on page 5 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were approximately 5.0% and 13.0% (2024: 7.6% and 14.7%) respectively.

During the Year, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were approximately 26.5% and 48.5% (2024: 27.9% and 42.8%) respectively.

During the Year, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, owned more than 5% of the number of issued shares excluding treasury shares, if any) had interest in any of the five largest customers or suppliers of the Group.

TAX CONCESSIONS

None of the holders of the Company's listed securities was entitled to any tax concessions for holding securities of the Company.

DIRECTORS

The Directors during the Year and up to the date of this report are set out as follows:

Executive Directors

Mr. Luo Yefei
Mr. Cao Yang
Ms. Yan Jingfen
Ms. Zhou Yumei

Non-executive Directors

Mr. Mao Weiyong (*appointed on 24 February 2025*)
Mr. Du Peng (*resigned on 24 February 2025*)
Mr. Wang Mingming (*appointed on 9 June 2025*)
Mr. Shen Jinxin (*retired on 9 June 2025*)

INEDs

Mr. Chow Ching Ning
Mr. Wang Yashan
Mr. Wu Xuekai

The profiles of the current Directors are set out on pages 21 to 28 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

The change in information of Directors during the Year and up to the date of this annual report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Du Peng resigned as a non-executive Director at the conclusion of the 2025 first extraordinary general meeting of the Company held on 24 February 2025. Subsequent to Mr. Du Peng's resignation, Mr. Mao Weiyong has been appointed as a non-executive Director with effect from 24 February 2025.

Mr. Shen Jinxin retired as a non-executive Director at the conclusion of the 2025 AGM of the Company held on 9 June 2025. Subsequent to Mr. Shen Jinxin's retirement, Mr. Wang Mingming has been appointed as a non-executive Director with effect from 9 June 2025.

With effect from 10 September 2025, (i) Mr. Luo Yefei ceased to serve as the chairman of the Nomination Committee; (ii) Mr. Wu Xuekai has been appointed as the chairman of the Nomination Committee; and (iii) Ms. Zhou Yumei has been appointed as a member of the Nomination Committee.

Report of the Directors

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

The service period of all members of the Board and the Supervisory Committee of the Company commenced from 9 June 2025 and shall end on the date of the election of the fifth session of the Board and the Supervisory Committee election at the 2028 AGM.

The Company has received an annual confirmation of independence in writing from each of the INEDs with reference to the factors under Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this report.

During the Year, none of the Directors or the Supervisors had entered or proposed to enter into any service contract and/or appointment letter with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director and other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, except when (if any) they incur or sustain through their own fraud or dishonesty. The Company has arranged appropriate directors', supervisors' and officers' liability insurance coverage for the Directors, the Supervisors and the officers of the Company during the Year and the indemnity provision and the liability insurance coverage for the Directors, the Supervisors and the officers of the Company remained in force as of the date of this report.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors, respectively, were as follows:

Long positions in the Domestic Shares

| Name of Directors/ Supervisors/ Chief Executive | Class of Shares | Capacity/ Nature of Interests | Number of Shares Interested | Approximate Percentage of Shareholding in the Relevant Class of Shares | Approximate Percentage of Shareholding in the Total Shares |
|---|-----------------|---|-----------------------------------|--|--|
| Mr. Luo Yefei ("Mr. Luo") (Note 1) | Domestic Shares | Interest of controlled corporations/Corporate interest; Interest of spouse/Family interest; Beneficial owner/ Personal interest | 52,021,000 | 52.021% | 38.996% |
| Ms. Zhou Yumei ("Ms. Zhou YM") (Notes 1 & 2) | Domestic Shares | Interest of a controlled corporation/Corporate interest; Interest of spouse/Family interest | 52,021,000 | 52.021% | 38.996% |

Notes:

- (1) Mr. Luo, an executive Director and the Chairman, was interested in and was deemed to be interested in 52,021,000 Domestic Shares within the meaning of Part XV of the SFO, which represents 52.021% of the total number of issued Domestic Shares and 38.996% of the total number of issued shares of the Company. It comprises (i) 14,674,000 Domestic Shares directly owned by Mr. Luo; (ii) 13,335,000 Domestic Shares beneficially owned by Shaanxi Maoye, a company owned as to 80% by Mr. Luo and 20% by Ms. Zhou YM, the wife of Mr. Luo. Ms. Zhou YM is also the sole director of Shaanxi Maoye (by virtue of the SFO, each of Mr. Luo and Ms. Zhou YM is deemed to be interested in the Domestic Shares held by Shaanxi Maoye); and (iii) 24,012,000 Domestic Shares beneficially owned by Ningbo Liankangcai, a company owned as to 65.10% by Mr. Luo.
- (2) Ms. Zhou YM is an executive Director and the wife of Mr. Luo. By virtue of the SFO, Ms. Zhou YM is deemed to be interested in the same number of Domestic Shares in which Mr. Luo is interested in.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2025, none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

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

As at 31 December 2025, so far as was known to or otherwise notified to any Directors or the chief executive of the Company, the following corporations or persons (other than the Directors, Supervisors or chief executive of the Company) which or who had interests or short positions in the shares and the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Domestic Shares

| Name of Substantial Shareholders | Class of Shares | Capacity/ Nature of Interests | Number of Shares Interested | Approximate Percentage of Shareholding in the Relevant Class of Shares | Approximate Percentage of Shareholding in the Total Shares |
|--|-----------------|--|-----------------------------------|--|--|
| Ningbo Shanshan Co., Ltd. ("Shanshan") (Notes 2 & 10) | Domestic Shares | Beneficial owner/ Personal interest | 25,834,600 | 43.774% | 32.814% |
| | Domestic Shares | Person having security interest/ other interest | 17,938,931 | | |
| Shanshan Group Co., Ltd. ("Shanshan Group") (Notes 3 & 10) | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 25,834,600 | 43.774% | 32.814% |
| | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 17,938,931 | | |
| Ningbo Yonggang Clothing Investment Co., Ltd. ("Ningbo Yonggang") (Notes 4 & 10) | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 25,834,600 | 43.774% | 32.814% |
| | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 17,938,931 | | |
| Shanshan Holding Co., Ltd. ("Shanshan Holding") (Notes 5 & 10) | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 25,834,600 | 43.774% | 32.814% |
| | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 17,938,931 | | |

Report of the Directors

| Name of Substantial Shareholders | Class of Shares | Capacity/ Nature of Interests | Number of Shares Interested | Approximate Percentage of Shareholding in the Relevant Class of Shares | Approximate Percentage of Shareholding in the Total Shares |
|--|-----------------|---|-----------------------------------|--|--|
| Ningbo Qinggang Investment Co., Ltd. ("Qinggang Investment") (Notes 6 & 10) | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 25,834,600 | 43.774% | 32.814% |
| | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 17,938,931 | | |
| The late Mr. Zheng Yonggang ("Mr. Zheng") (Notes 1, 7 & 10) | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 25,834,600 | 63.182% | 47.363% |
| | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 37,347,000 | | |
| Ms. Zhou Jiqing ("Ms. Zhou") (Notes 7 & 10) | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 25,834,600 | 43.774% | 32.814% |
| | Domestic Shares | Interest of a controlled corporation/ Corporate interest | 17,938,931 | | |
| Ningbo Liankangcai (Note 8) | Domestic Shares | Beneficial owner/ Personal interest; Person providing security interest/ Other interest | 24,012,000 | 24.012% | 18.000% |
| Shaanxi Maoye (Note 9) | Domestic Shares | Beneficial owner/ Personal interest | 13,335,000 | 13.335% | 9.996% |
| Ms. Zhao Yongzhi | Domestic Shares | Beneficial owner/ Personal interest | 12,806,400 | 12.806% | 9.600% |
| Mr. Zhang Jincan | Domestic Shares | Beneficial owner/ Personal interest | 6,670,000 | 6.670% | 5.000% |

Report of the Directors

Notes:

- (1) Mr. Zheng passed away on 10 February 2023.
- (2) Shanshan is a joint stock company with limited liability established in the PRC, whose issued shares are listed on the Shanghai Stock Exchange (stock code: 600884). Based on the information of disclosure of interests on the Stock Exchange, Shanshan is owned as to approximately 34.55% by Shanshan Group, approximately 9.07% by Ningbo Pengze Trading Co., Ltd.* (寧波朋澤貿易有限公司) (a corporation of which Shanshan Group is interested in 100% of its registered capital), approximately 3.19% by Shanshan Holding, approximately 3.44% by Ningbo Yinzhou Jielun Investment Co., Ltd.* (寧波市鄞州捷倫投資有限公司) (a corporation of which Shanshan Holding is interested in 100% of its registered capital), approximately 0.03% by the late Mr. Zheng and approximately 49.72% by other public shareholders. Based on the latest shareholding disclosure in Shanshan's 2025 Third Quarterly Report, the aforementioned shareholders respectively hold approximately 14.24%, approximately 9.13%, approximately 1.65%, approximately 1.32%, approximately 0.03%, and approximately 73.63% of the interests in Shanshan.
- (3) Shanshan Group is directly interested in approximately 34.55% (14.24% according to Shanshan's 2025 Third Quarterly Report) of the registered share capital of Shanshan and indirectly interested in approximately 9.07% (9.13% according to Shanshan's 2025 Third Quarterly Report) of the registered capital of Shanshan through Ningbo Pengze Trading Co., Ltd.* (寧波朋澤貿易有限公司), and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.
- (4) Ningbo Yonggang is interested in approximately 10.00% (8.67% according to Shanshan's 2024 annual report) of the registered capital of Shanshan Group, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.
- (5) Shanshan Holding is directly interested in approximately 3.19% (1.65% according to Shanshan's 2025 Third Quarterly Report) of the registered share capital of Shanshan. Further, Shanshan Holding is indirectly interested in (a) approximately 34.55% (14.24% according to Shanshan's 2025 Third Quarterly Report) of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in approximately 97.65% of its registered capital); and (ii) Shanshan Group (a corporation of which Shanshan Holding is directly interested in approximately 51.8% and indirectly interested in approximately 10.00% through Ningbo Yonggang); (b) approximately 9.07% (9.13% according to Shanshan's 2025 Third Quarterly Report) of the registered share capital of Shanshan through Ningbo Pengze Trading Co., Ltd.* (寧波朋澤貿易有限公司) (a wholly-owned subsidiary of Shanshan Group); and (c) approximately 3.44% (1.32% according to Shanshan's 2025 Third Quarterly Report) of the registered share capital of Shanshan through its wholly-owned subsidiary, Ningbo Yinzhou Jielun Investment Co., Ltd.* (寧波市鄞州捷倫投資有限公司). By virtue of the SFO, Shanshan Holding is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.
- (6) Qinggang Investment is interested in approximately 44.55% (40.54% according to Shanshan's 2024 annual report) of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.
- (7) Qinggang Investment is owned as to 51% by the late Mr. Zheng and 49% by Ms. Zhou. By virtue of the SFO, both the late Mr. Zheng and Ms. Zhou are deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.
- (8) Ningbo Liankangcai is owned as to 65.10% by Mr. Luo. Mr. Mao Weiyong, a non-executive Director, holds 50% capital contribution in Ningbo Eggshell Enterprise Management Partnership (Limited Partnership)* (寧波蛋殼企業管理合夥企業(有限合夥)) ("Eggshell Enterprise"), which Eggshell Enterprise holds 19% equity interest in Ningbo Liankangcai. On 8 December 2023, Ningbo Liankangcai provided guarantee by 17,938,931 Domestic Shares in favour of Shanshan for the amounts payable to Shanshan.
- (9) Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director and 20% by Ms. Zhou YM, an executive Director and the wife of Mr. Luo. By virtue of the SFO, each of Mr. Luo and Ms. Zhou YM is deemed to be interested in the Domestic Shares held by Shaanxi Maoye.
- (10) On 8 December 2023, Ningbo Liankangcai provided guarantee by 17,938,931 Domestic Shares to Shanshan for the amount payable to Shanshan. By virtue of the SFO, each of Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, the late Mr. Zheng and Ms. Zhou (either through direct or indirect interest) is therefore deemed to be interested in the abovementioned Domestic Shares of security interest held by Shanshan.

Save as disclosed above, as at 31 December 2025, so far as it was known to or otherwise notified to the Directors or the chief executive of the Company, there were no other corporations or persons (other than a Director, Supervisor or chief executive of the Company) which or who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

* for identification purpose only

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors, the Supervisors or the controlling shareholders of the Company, their respective close associates had engaged in or had any interest in any business (apart from the business of the Group) that competed or might compete, either directly or indirectly, with the businesses of the Group or had any other conflicts of interest with the Group, which must be disclosed in this report.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries or holding company was a party and in which a Director or a Supervisor or an entity related to a Director or a Supervisor had a material interest, whether directly or indirectly, at any time during the Year or subsisted at the end of the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions" below, there was no contract of significance (whether for the provision of services to the Company or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and a controlling Shareholder or any of its subsidiaries is the other party during the Year or subsisted at the end of the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the PRC Companies Law, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Report of the Directors

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraphs headed “Connected Transactions”, all other related party transactions as disclosed in note 33 to the consolidated financial statements are not connected transactions or continuing connected transactions which need to comply with the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements regarding the connected transactions and continuing connected transactions disclosed in this report in accordance with Chapter 14A of the Listing Rules and all such transactions were conducted in the ordinary and usual course of business.

CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules:

1. The Trademark Licensing Agreement with Shanshan Group

On 30 September 2021, the Company entered into a trademark licensing agreement (the “**Trademark Licensing Agreement**”) with Shanshan Group, pursuant to which Shanshan Group agreed to grant to the Group the exclusive license to use the licensed trademarks (the “**Licensed Trademarks**”) for its business operations, as well as the right to authorise third parties to use the Licensed Trademarks solely for the purpose of business operation of the Group. The Trademark Licensing Agreement has a term of four years commencing from 1 January 2022. The total licensing fees payable by the Company to Shanshan Group under the Trademark Licensing Agreement was RMB3,900,000. According to the Trademark Licensing Agreement, a licensing fees of RMB1,500,000 will be paid by the Company in 2025.

Shanshan Group may through Shanshan control the exercise of 10% or more of the voting power at any general meeting of the Company. Hence, Shanshan Group is a connected person of the Company under the Listing Rules. For further details, please refer to the announcement of the Company dated 30 September 2021.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules:

A. Continuing connected transactions which are fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements

1. Trademark licence agreements with Shanshan and Shanshan Group

On 20 May 2016, the Company entered into a trademark licence agreement with each of Shanshan and Shanshan Group, respectively (together the “**Exempted Trademark Licence Agreements**”), pursuant to which each of Shanshan and Shanshan Group agreed to grant the Company, on a perpetual, exclusive and royalty free basis, a right to use trademarks registered under their respective names (the “**Licensed Trademarks**”) under the category of garments, accessories, luggages and bags, shoes and hats and for the Company to sub-licence any members of the Group and third parties to use the Licensed Trademarks. For further details of the Exempted Trademark Licence Agreement, please refer to the section headed “Connected Transactions” in the Prospectus.

Each of Shanshan and Shanshan Group is a substantial shareholder of the Company and hence, a connected person of the Company under the Listing Rules.

Upon the Listing, the Exempted Trademark Licence Agreements and the transactions contemplated thereunder constitute de minimis continuing connected transactions that are exempted from compliance with the reporting, annual review, announcement and independent Shareholders' approval provisions under Chapter 14A of the Listing Rules.

Report of the Directors

2. Supply Framework Agreement entered into with subsidiaries of Shanshan

On 13 December 2024, the Company entered into a supply framework agreement (the “**Supply Framework Agreement**”) with the purchasers (Shanghai Shanshan New Materials Co., Ltd.* (上海杉杉新材料有限公司), Ningbo Shanshan New Material Technology Co., Ltd.* (寧波杉杉新材料科技有限公司), Huzhou Shanshan New Energy Technology Co., Ltd.* (湖州杉杉新能源科技有限公司), Fujian Shanshan Technology Co., Ltd.* (福建杉杉科技有限公司), Chenzhou Shanshan New Material Co., Ltd.* (郴州杉杉新材料有限公司), Inner Mongolia Shanshan Technology Co., Ltd.* (內蒙古杉杉科技有限公司), Inner Mongolia Shanshan New Material Co., Ltd.* (內蒙古杉杉新材料有限公司), Sichuan Shanshan New Material Co., Ltd.* (四川杉杉新材料有限公司) and Yunnan Shanshan New Material Co., Ltd.* (雲南杉杉新材料有限公司)), pursuant to which the Company agreed to sell and the purchasers agreed to procure factory uniforms for a term from 1 January 2025 to 31 December 2025. The annual caps for the transactions contemplated under the Supply Framework Agreement for the year ended 31 December 2025 are expected to be RMB2,500,000. During the Year, the actual transaction amount was approximately RMB741,552, which did not exceed the annual cap amount.

The purchasers are subsidiaries of Shanshan, a substantial shareholder of the Company, and therefore both Shanshan and the purchasers are connected persons of the Company pursuant to the Listing Rules.

Supply Framework Agreement and the transactions contemplated thereunder constitute de minimis continuing connected transactions that are exempted from compliance with the reporting, annual review, announcement and independent Shareholders’ approval provisions under Chapter 14A of the Listing Rules.

The INEDs have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

- a. in the ordinary and usual course of business of the Group;
- b. on normal commercial terms or better; and
- c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

* for identification purpose only

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions and the Company's auditor has confirmed that nothing has come to their attention that causes them to believe the above continuing connected transactions:

- a. have not been approved by the Board;
- b. were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreement governing the transactions; and
- c. the aggregate amount of the above continuing connected transactions has exceeded the cap.

RETIREMENT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Details of our retirement benefit schemes are set out in note 4(j) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, during the Year and up to the date of this report, there had been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past three years.

The consolidated financial statements of the Group for the Year have been audited by the independent auditor, BDO Limited, which will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Luo Yefei

Chairman

Ningbo, the PRC, 20 March 2026

Report of the Supervisory Committee

Looking back to the year of 2025, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of the Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the PRC Companies Law, the Articles of Association, the rules of procedure of the Supervisory Committee and the Listing Rules.

The Supervisory Committee comprises three members. The chairman of the Supervisory Committee is Ms. Zhou Danna; and the members of Supervisory Committee are Mr. Wang Yijun and Ms. Yang Yi.

I. MEETINGS OF THE SUPERVISORY COMMITTEE

As at 31 December 2025, the Supervisory Committee held four (4) meetings in total. Such meetings were convened and held in compliance with the requirements of relevant regulations and the Articles of Association and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

- a. Review of the annual report for 2024 and the interim report for 2025;
- b. Review of the audited consolidated financial statements and independent auditor's report for 2024 and the resolution on profit distribution plan for 2024;
- c. Considering and approving the work report of the Supervisory Committee for 2024.

As at 31 December 2025, members of the Supervisory Committee attended or observed all general meetings and Board meetings in accordance with the law and monitored the matters considered at the Board meetings and general meetings and the legitimacy of the procedures. During the Year, there was no incidence that the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2025 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2025 and the operating results and cash flow in 2025.

2. Related party transaction

After reviewing the related party transactions between the Company and its related parties during the Year, the Supervisory Committee considered that the related party transactions were in compliance with relevant requirements of the Stock Exchange and applicable laws and the considerations for the related party transactions were reasonable, open and fair, and was not aware of any matters that were detrimental to the interests of the Company or its Shareholders as a whole.

Report of the Supervisory Committee

3. Internal control

During the Year, the Company continued to strengthen and improve the construction of its internal control system. The comprehensiveness and effectiveness of the internal control were continuously improved. The Supervisory Committee was not aware of any material defect in the design of the Company's internal control system or its implementation.

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to any of such reports and resolutions as submitted by the Board to general meetings for consideration and approval in 2025. The Supervisory Committee supervised the implementation of the resolutions of general meetings and considered that the Board had prudently implemented the relevant resolutions of general meetings.

5. Operations in compliance with laws and regulations

During the Year, the operations of the Company were normal and reasonable and were in compliance with all applicable laws, regulations, rules and the Articles of Association. The Supervisory Committee was not aware of any non-compliance with laws, regulations or the Articles of Association or behaviors committed by any of the Directors and senior management of the Company in discharging their duties that was detrimental to the interests of the Company and the Shareholders.

Shanshan Brand Management Co., Ltd.

Supervisory Committee

20 March 2026

Independent Auditor's Report



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TO THE SHAREHOLDERS OF SHANSHAN BRAND MANAGEMENT CO., LTD.

(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanshan Brand Management Co., Ltd. ("Company") and its subsidiaries (together "Group") set out on pages 111 to 194, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with the Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 matters identified in our audit are summarised as follows:

- Provision for inventories
- Impairment assessment of trade receivables
- Impairment assessment of property, plant and equipment and right-of-use assets

KEY AUDIT MATTERS (CONTINUED)

Provision for Inventories

(Refer to Notes 5d and 22 to the consolidated financial statements)

As at 31 December 2025, the net carrying amount of inventories was approximately RMB222,360,505. The provision of write-down of inventories for the year ended 31 December 2025 was approximately RMB2,313,581 which consists provision of write-down of raw materials of RMB961,594 and provision of write-down of finished goods of RMB1,351,987.

The assessment of the provision for inventories involves management judgements and estimates by considering inventory ageing, historical sales patterns and by comparing the carrying amounts of inventories with their estimated net realisable values, primarily based on the latest selling prices. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified.

Accordingly, the write-down assessment of inventories is considered to be a key audit matter.

Our Response

Our key procedures in relation to management's write-down assessment of inventories included:

- Understanding and evaluating the Group's provision policy on inventories, basis of the assessment and management's process of the identification of slow moving and obsolete inventories;
- Reviewing and assessing the estimation of the net realisable value of these inventories on a sample basis;
- Reviewing inventory ageing and analysing the level of aged inventories and their associated provision of write-down;
- Testing the purchase cost and selling price on a sample basis with reference to the purchase invoices and subsequent sales records; and
- Recalculating the provision of write-down value.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Trade Receivables

(Refer to Notes 5e and 23 to the consolidated financial statements)

As at 31 December 2025, the Group had gross trade receivables of RMB198,690,013 and provision of impairment for trade receivables of RMB22,373,974. There is a risk that these receivables are not recoverable. The Group has elected to measure loss allowances for trade receivables using simplified approach and has calculated expected credit loss ("ECLs") based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

After management's assessment, an impairment losses on trade receivables of RMB995,817 have been recognised in profit or loss for the year.

We identified the impairment assessment of trade receivables as a key audit matter due to the complexity and significant judgement involved in the management's assessment process.

Our Response

Our key audit procedures in relation to management's impairment assessment of trade receivables included:

- Obtaining an understanding of management's process of assessing the impairment of trade receivables;
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the expected credit loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- Checking the integrity and the relevance of the input data being used in the ECL model; and
- Testing the aging analysis of the trade receivables, on a sample basis, to the source documents.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Property, Plant and Equipment and Right-of-use Assets

(Refer to Notes 5a, 16 and 17 to the consolidated financial statements)

The Group had property, plant and equipment of RMB141,863,575 and right-of-use assets of RMB62,337,326 as at 31 December 2025. An impairment assessment was conducted for property, plant and equipment and right-of-use assets of loss-making retail stores for which RMB1,127,682 and RMB245,246 respectively, were provided during the year.

The management considers each retail store as an individual cash-generating unit as each store generates independent cash flows, which is largely independent of the cash flows generated by other assets. The Group determines the impairment provision based on the cash flow forecasts of loss-making retail stores. The evaluation process is inherently subjective, and dependent on a number of estimates including the budgeted sale growth rate, the budgeted gross profit margin and the discount rate.

Given the level of significant management judgements and estimates involved, this is considered to be a key audit matter.

Our Response

Our key procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included:

- Obtaining an understanding of the management's process and basis adopting in the impairment assessment of the identified property, plant and equipment and identified right-of-use assets;
- Evaluating the reasonableness of management's key assumptions and estimates used in the value in use calculation including budgeted sales growth rate and budgeted gross profit margin with reference to the past performance, management's expectations on the market development and future operation plans of the Group;
- Evaluating the reasonableness of the discount rate used in the value in use calculation with reference to the current market risk-free rate of interest and the industry specific risk factor; and
- Assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of property, plant and equipment and right-of-use assets with reference to the requirement of the prevailing accounting standards.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group's financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

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

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

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

BDO Limited

Certified Public Accountants

LAI Cheuk Wai

Practising Certificate Number P07921

Hong Kong, 20 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

| | Notes | 2025 RMB | 2024 RMB |
|---|-------|----------------------|---------------|
| Revenue | 6 | 862,800,867 | 1,006,620,320 |
| Cost of sales | | (528,313,777) | (627,421,780) |
| Gross profit | | 334,487,090 | 379,198,540 |
| Other revenue | 7 | 592,530 | 1,062,271 |
| Other gains and losses, net | 8 | 3,406,543 | (3,100,156) |
| Selling and distribution expenses | | (283,829,485) | (281,841,736) |
| Administrative expenses | | (36,444,106) | (41,919,741) |
| Impairment loss on property, plant and equipment | 16 | (1,127,682) | (765,613) |
| Impairment loss on right-of-use assets | 17 | (245,246) | (1,862,667) |
| Impairment loss on trade receivables, net | 23 | (995,817) | (851,735) |
| Impairment loss on deposits and other receivables, net | 24 | (180,417) | (326,826) |
| Finance costs | 9 | (4,432,795) | (5,634,254) |
| Share of result of an associate | | 579,927 | 547,790 |
| Share of result of a joint venture | | - | (20,706) |
| Profit before income tax | 10 | 11,810,542 | 44,485,167 |
| Income tax expense | 13 | (3,914,110) | (11,311,639) |
| Profit and total comprehensive income for the year attributable to owners of the Company | | 7,896,432 | 33,173,528 |
| Earnings per share attributable to the owners of the Company | 14 | 0.06 | 0.25 |

Consolidated Statement of Financial Position

As at 31 December 2025

| | Notes | 2025 RMB | 2024 RMB |
|---|-------|-------------|-------------|
| Non-current assets | | | |
| Property, plant and equipment | 16 | 141,863,575 | 67,484,573 |
| Right-of-use assets | 17 | 62,337,326 | 59,209,760 |
| Intangible assets | 18 | 3,162,932 | 4,888,171 |
| Interest in an associate | 19 | 7,850,855 | 7,270,928 |
| Interest in a joint venture | 20 | 865,214 | 865,214 |
| Prepayments, deposits and other receivables | 24 | 13,426,631 | 2,007,608 |
| Pledged deposits | 25 | – | 2,172,445 |
| Deferred tax assets | 21 | 21,704,682 | 20,266,187 |
| Total non-current assets | | 251,211,215 | 164,164,886 |
| Current assets | | | |
| Inventories | 22 | 222,360,505 | 278,221,780 |
| Trade and bills receivables | 23 | 176,460,203 | 239,825,926 |
| Prepayments, deposits and other receivables | 24 | 29,299,462 | 21,110,891 |
| Financial assets at fair value through profit or loss | | 487,967 | 645,910 |
| Amount due from a substantial shareholder | 33(c) | – | 624,293 |
| Pledged deposits | 25 | 2,578,026 | 8,500,000 |
| Cash and cash equivalents | 25 | 110,065,336 | 106,457,075 |
| Total current assets | | 541,251,499 | 655,385,875 |
| Current liabilities | | | |
| Trade and bills payables | 26 | 138,899,147 | 216,080,405 |
| Contract liabilities | 27 | 10,515,313 | 31,810,323 |
| Other payables and accruals | 28 | 110,170,290 | 111,411,616 |
| Interest-bearing bank borrowings | 29 | 170,000,000 | 145,000,000 |
| Amount due to a joint venture | 20 | 875,000 | 875,000 |
| Amount due to a substantial shareholder | 33(d) | 1,415,094 | 2,835,849 |
| Income tax payable | | 226,480 | 6,116,686 |
| Lease liabilities | 30 | 16,083,951 | 11,474,289 |
| Total current liabilities | | 448,185,275 | 525,604,168 |
| Net current assets | | 93,066,224 | 129,781,707 |
| Total assets less current liabilities | | 344,277,439 | 293,946,593 |

Consolidated Statement of Financial Position

As at 31 December 2025

| | Notes | 2025 RMB | 2024 RMB |
|----------------------------------|-------|--------------------|-------------|
| Non-current liabilities | | | |
| Other payables and accruals | 28 | 11,970,000 | 11,460,000 |
| Interest-bearing bank borrowings | 29 | 52,696,455 | – |
| Lease liabilities | 30 | 6,110,103 | 6,210,144 |
| Total non-current liabilities | | 70,776,558 | 17,670,144 |
| Net assets | | | |
| | | 273,500,881 | 276,276,449 |
| Capital and reserves | | | |
| Share capital | 31 | 133,400,000 | 133,400,000 |
| Reserves | 32 | 140,100,881 | 142,876,449 |
| Total equity | | 273,500,881 | 276,276,449 |

The consolidated financial statements on pages 111 to 194 were approved and authorised for issue by the Board of Directors on 20 March 2026 and are signed on its behalf by:

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

| | Share capital RMB (Note 31) | Capital reserve RMB (Note 32(a)) | Statutory surplus reserve RMB (Note 32(b)) | Merger reserve RMB (Note 32(c)) | Proposed final dividend RMB | Accumulated profits RMB | Total equity RMB |
|--|-----------------------------------|--|--|---------------------------------------|--------------------------------|----------------------------|---------------------|
| As at 1 January 2024 | 133,400,000 | 73,109,956 | 10,434,068 | (41,226,670) | 10,672,000 | 67,385,567 | 253,774,921 |
| Profit and total comprehensive income for the year | - | - | - | - | - | 33,173,528 | 33,173,528 |
| Transfer to statutory surplus reserve | - | - | 1,221,704 | - | - | (1,221,704) | - |
| 2023 final dividend paid (Note 15) | - | - | - | - | (10,672,000) | - | (10,672,000) |
| 2024 proposed final dividend | - | - | - | - | 10,672,000 | (10,672,000) | - |
| As at 31 December 2024 and 1 January 2025 | 133,400,000 | 73,109,956 | 11,655,772 | (41,226,670) | 10,672,000 | 88,665,391 | 276,276,449 |
| Profit and total comprehensive income for the year | - | - | - | - | - | 7,896,432 | 7,896,432 |
| Transfer to statutory surplus reserve | - | - | 186,175 | - | - | (186,175) | - |
| 2024 final dividend paid (Note 15) | - | - | - | - | (10,672,000) | - | (10,672,000) |
| As at 31 December 2025 | 133,400,000 | 73,109,956 | 11,841,947 | (41,226,670) | - | 96,375,648 | 273,500,881 |

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

| | 2025 RMB | 2024 RMB |
|---|---------------------|--------------|
| Cash flows from operating activities | | |
| Profit before income tax | 11,810,542 | 44,485,167 |
| Adjustments for: | | |
| Interest income | (159,002) | (628,216) |
| Interest expenses on bank borrowings | 3,692,214 | 4,977,170 |
| Interest expenses on lease liabilities | 740,581 | 657,084 |
| Impairment loss on property, plant and equipment | 1,127,682 | 765,613 |
| Impairment loss on right-of-use assets | 245,246 | 1,862,667 |
| Impairment loss on trade receivables, net | 995,817 | 851,735 |
| Impairment loss on deposits and other receivables, net | 180,417 | 326,826 |
| Write down of finished goods, net | 1,351,987 | 2,339,780 |
| Write down of raw materials, net | 961,594 | 1,451,072 |
| Depreciation of property, plant and equipment | 16,735,244 | 17,800,393 |
| Depreciation of right-of-use assets | 23,651,455 | 13,141,266 |
| Amortisation of intangible assets | 1,725,239 | 1,621,293 |
| Loss on disposal of property, plant and equipment | 71,250 | 56,444 |
| (Gain)/loss on lease modification | (751,994) | 271,085 |
| Fair value loss/(gain) on financial assets at fair value through profit or loss | 157,943 | (354,924) |
| Share of result of an associate | (579,927) | (547,790) |
| Share of result of a joint venture | - | 20,706 |
| Operating cash flows before working capital changes | 61,956,288 | 89,097,371 |
| Decrease/(increase) in inventories | 53,547,694 | (51,648,862) |
| Decrease/(increase) in trade and bills receivables | 48,463,255 | (2,051,772) |
| (Increase)/decrease in prepayments, deposits and other receivables | (19,788,011) | 2,752,751 |
| Decrease in amount due from a substantial shareholder | 624,293 | - |
| (Decrease)/increase in trade and bills payables | (63,274,607) | 48,981,925 |
| Decrease in contract liabilities | (21,295,010) | (3,432,725) |
| Decrease in other payables and accruals | (32,817,354) | (36,641,350) |
| Decrease in amount due to a substantial shareholder | (1,420,755) | - |
| Cash generated from operating activities | 25,995,793 | 47,057,338 |
| Income tax paid | (11,242,811) | (9,174,954) |
| Net cash generated from operating activities | 14,752,982 | 37,882,384 |

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

| | 2025 RMB | 2024 RMB |
|---|---------------------|---------------------|
| Cash flows from investing activities | | |
| Interest received | 159,002 | 628,216 |
| Decrease/(increase) in pledged deposits | 8,094,419 | (6,472,140) |
| Purchase of property, plant and equipment | (57,723,764) | (45,151,900) |
| Proceeds from disposal of property, plant and equipment | 1,721 | – |
| Payment for acquisition of land use right | – | (1,203,552) |
| Net cash used in investing activities | (49,468,622) | (52,199,376) |
| Cash flows from financing activities | | |
| Interest paid | (6,197,321) | (5,280,960) |
| Proceeds from borrowings | 247,696,455 | 145,000,000 |
| Repayment of borrowings | (170,000,000) | (135,000,000) |
| Interest elements of lease rentals paid | (481,911) | (452,734) |
| Principal elements of lease rentals paid | (22,021,322) | (16,044,294) |
| Dividend paid to shareholders of the Company | (10,672,000) | (10,672,000) |
| Net cash generated from/(used in) financing activities | 38,323,901 | (22,449,988) |
| Net increase/(decrease) in cash and cash equivalents | 3,608,261 | (36,766,980) |
| Cash and cash equivalents at beginning of year | 106,457,075 | 143,224,055 |
| Cash and cash equivalents at end of year | 110,065,336 | 106,457,075 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. CORPORATE INFORMATION

Ningbo Shanshan Garment Brand Management Co., Ltd (“Shanshan Garment Brand”), the predecessor of the Company, was established as a limited liability company in the People’s Republic of China (“PRC”) on 23 August 2011.

On 18 May 2016, Shanshan Garment Brand was converted into a joint stock company with limited liability and renamed as Shanshan Brand Management Co., Ltd. The Company’s overseas-listed foreign shares (“H Shares”) have been listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 27 June 2018.

The address of its registered office and principal place of business is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, PRC.

The Group is principally engaged in the design, marketing and sale of formal and casual business menswear in the PRC.

Particulars of the Company’s principal subsidiaries at 31 December 2025 and 2024 were as follows:

| Name of subsidiaries | Date of establishment and type of legal entity | Place of operation and incorporation | Issued and paid-up capital | Proportion of effective equity interests held by the Company | | | | Principal activities |
|---|--|--------------------------------------|----------------------------|--|------------|----------|------------|---|
| | | | | 2025 | | 2024 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Ningbo Shanshan Fashion Brand Management Co., Ltd | 17 June 2009/Limited liability company | The PRC | RMB100 million | 100% | N/A | 100% | N/A | Investment holding and trademark sub-licensing |
| Ningbo Shanshan E-commerce Co., Ltd | 27 August 2020/Limited liability company | The PRC | RMB10 million | 100% | N/A | 100% | N/A | Distribution of causal and business menswear through e-commerce |
| Tengzhou Shanshan Commerce and Trading Co., Ltd. | 23 March 2023/Limited liability company | The PRC | RMB0.5 million | 100% | N/A | 100% | N/A | Distribution of causal and business menswear through retail |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS

(a) Adoption of new/revised HKFRS Accounting Standards

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued revised HKFRS Accounting Standards that are first effective for the current accounting period of the Group:

| | |
|-----------------------------------|-------------------------|
| Amendments to HKAS 21 and HKFRS 1 | Lack of Exchangeability |
|-----------------------------------|-------------------------|

(b) New/revised HKFRS Accounting Standards that have been issued but are not yet effective

The following new/revised HKFRS Accounting Standards, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

| | |
|--|--|
| Amendments to HKFRS Accounting Standards | Annual Improvements to HKFRS Accounting Standards – Volume 11 ¹ |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ¹ |
| Amendments to HKFRS 9 and HKFRS 7 | Contracts Referencing Nature – Dependent Electricity ¹ |
| HKFRS 18 | Presentation and Disclosure in Financial Statements ² |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an investor and its Associate or Joint Venture ³ |

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

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

³ Effective for annual periods beginning on or after a date to be determined by the HKICPA

The Company has already commenced an assessment of the impact of adopting the above new/revised HKFRS Accounting Standards. The directors of the Company preliminarily anticipate that except for HKFRS 18, which is expected to have certain impacts to the presentation and disclosure of the Group’s consolidated financial statements, other new/revised HKFRS Accounting Standards will have no material impact on the Group’s financial performance and positions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS (CONTINUED)

(b) New/revised HKFRS Accounting Standards that have been issued but are not yet effective (Continued)

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 will replace HKAS 1 “Presentation of financial statements”, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance presented in the statement of profit or loss, which will affect how the Group presents and discloses financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures, and (iii) enhanced requirements for aggregation and disaggregation of information.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss and bills receivables, which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Business combination and basis of consolidation

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position disclosed in Note 40, investments in subsidiaries are stated at cost less impairment loss, if any. Dividend from a subsidiary is recognised in the financial statements of the Company when the Company's right to receive the dividend is established. The dividend is recognised in the profit or loss for the Company.

(c) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Joint arrangement

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

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method - see Note 4(c)).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Property, plant and equipment, other than construction in progress, are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

| | |
|------------------------|-----------------------|
| Leasehold improvements | Over the lease tenure |
| Plant and machinery | 2-10 years |
| Furniture and fixtures | 1-5 years |
| Motor vehicles | 5 years |

Furniture and fixtures includes retail stores' leasehold improvements, which are depreciated over the useful lives.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liabilities (see below for the accounting policy to account for lease liabilities);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases retail stores that have a lease tenure of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on these short-term leases are recognised as expense on a straight-line basis over the lease tenure.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Leasing (Continued)

Variable lease payments

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments 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.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Leasing (Continued)

Lease liabilities (Continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Lease modifications

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease tenure of the 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 assets.

(g) Intangible assets (other than goodwill, acquired separately)

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in selling and distribution expenses.

| | |
|-----------|--|
| Trademark | 10 years or over the tenure of relevant leases, whichever is shorter |
| Software | 10 years |

Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(n)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Inventories

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

(i) Financial instruments

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial instruments (Continued)

Financial assets (Continued)

Debt instruments

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

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses, impairment and any gain on derecognition are recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI")

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

Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial Instruments (Continued)

Impairment loss on financial assets

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

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

The Group has elected to measure loss allowances for trade receivables using simplified approach and has calculated ECLs based on lifetime ECLs.

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

Significant increase in credit risk

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial Instruments (Continued)

Impairment loss on financial assets (Continued)

Credit-impaired financial assets

The Group considers financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that financial asset are 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 reorganization; and
- e) the financial asset is more than 90 days past due.

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

Definition of default

The Group classifies credit risk on financial assets as disclosed in Note 39(a). The internal credit risk ratings are estimated based on qualitative (such as on-going business relationships with the relevant customers, etc.) and quantitative factors (mainly includes past collection history of each customer and ageing of the receivables).

The Group considers an event of default occurs when information developed internally or obtained from external sources which indicates that the debtor is unlikely to pay its creditors, including the Group, in full. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial Instruments (Continued)

Impairment loss on financial assets (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off of the extent that there is no reasonable expectation of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECLs

Generally, the ECLs is estimated as the weighted average of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, with the respective risks of a default occurring as the weights, discounted at the effective interest rate determined at initial recognition.

Where ECLs is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial Instruments (Continued)

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, other payables and accruals, interest-bearing bank borrowings, amount due to a joint venture and amount due to a substantial shareholder are subsequently measured at amortised cost, using the effective interest method.

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

Derecognition

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

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

(j) Employee benefits

Retirement benefit costs

The employees of the Group which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of employees' salaries to the central pension scheme.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits that are expected to be settled wholly before twelve months after end of annual reporting period) in which the employees render the related services. Short term employee benefits are recognised in the year when the employee render the related service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Revenue recognition

The Group is engaged in trading of garments products and rendering trademark sub-licensing income. Revenue from contracts with customers is recognised when control of the goods or services are transferred or rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

The Group recognises revenue from trading of garments products and rendering trademark sub-licensing income through the following major sale channels:

- E-commerce platforms
- Franchisee
- Self-operated retail stores
- Distributors
- Work uniform
- Sub-licensing income

E-commerce platforms

The Group sells its products through third party online retail platform. Customer acceptance can normally be estimated when online payment transaction is completed through third-party payment platform. Revenue is adjusted for the value of expected sale returns. The Group allows E-commerce platforms entitled a credit period from 30 days to 90 days after delivery of the products.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Revenue recognition (Continued)

Franchisee

The Group allows franchisee to sell the Group's products at the retail stores operated by the franchisee on a consignment basis. The Group has a right of inventory reallocation and has an obligation to accept any return of unsold products. The Group also has a right to price its products. Franchisee does not have control of the product before it is being transferred to the customer. Franchisee is acting as an agent of the Group. Revenue is adjusted for the value of expected sale returns.

Revenue is recognised when the retail customer purchases the products at the retail store operated by the franchisee. Payment of the transaction price is due immediately at the point the retail customer purchases the goods. The Group allows franchisee entitled a credit period within 240 days after delivery of the products.

Self-operated retail stores

The Group sells its products to end customers via a chain of self-operated retail stores. Revenue is recognised when control of the products has transferred, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Distributors

Distributors have discretion over both selling price at distribution channels and suffer from inventory risk for such products to be sold in their designated geographical areas.

Revenue from distributors is recognised when control of the products has transferred, being when the products are delivered and the distributors has inspected and accepted the products.

Distributors are generally required to pay deposits when placing purchase orders and are required to settle the full payment prior to delivery of the products, except certain distributors entitled a credit period within 240 days after delivery of the products.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Revenue recognition (Continued)

Work uniform

Revenue for trading of work uniform includes standardised and non-standardised work uniform.

Revenues from standardised work uniform are recognised upon delivery, which occurs when customer pick up goods at the Group's premises or when goods are handed over to customer. Delivery occurs when the risks of obsolescence and loss are transferred to the customer, i.e., when the goods are delivered to the customer in accordance with the sales contract, or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The credit period granted to the customers based on the relevant sales agreement.

The Group recognises revenue from sale of non-standardised work uniform over time because it 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. The Group has applied the "right to invoice" practical expedient to recognise revenue as invoiced as the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Sub-licensing income

Licensees are required to provide non-refundable upfront payments, except certain licensees entitled a credit period within 240 days from the commencement of the contract, in exchange for the right, which represents primarily their right to access the Group's brand name. In addition, licensees are also required to pay sales-based royalties for such access. The fixed component of such royalties is recognised as revenue over the estimated license period, while the sales-based component is recognised as revenue when the related sales occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Revenue recognition (Continued)

Assurance-type warranty

The Group offers distributors and customers in trading of work uniform an assurance-type warranty. The provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Right of return

Customers purchase in E-commerce platforms, self-operated and franchisee-operated retail stores are offered with right of return within the limit as agreed in the sales contracts. Revenue is adjusted for estimated expected returns based on historical pattern. Historical experience is used to estimate and provide for the returns, using the most likely amount method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Loyalty programme

Customers purchase in self-operated and franchisee-operated retail stores may enter the Group's customer loyalty programme and earn reward points that are redeemable against any future purchases of the Group's products.

The Group allocates a portion of the consideration received to reward points. This allocation is based on the relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when reward points are redeemed or the likelihood of the customer redeeming the reward points becomes remote.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Borrowing costs

Borrowing costs 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 their 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) 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.

(n) Impairment of assets (other than financial assets and inventories)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the recoverable amount would be determined on a CGU basis. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 CGUs.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover the useful lives of each CGUs.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Income taxes

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

Current tax

The tax currently payable is based on assessable profit for the year. Assessable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Management assessed that as at 31 December 2025, there were indications of impairment in respect of certain of the Group's property, plant and equipment and right-of-use assets. Accordingly, management performed impairment testing for these assets or their CGUs by comparing their carrying amounts with their recoverable amounts following the accounting policy for impairment of non-financial assets (Note 4(n)).

Based on the value-in-use calculations of the relevant CGUs, impairment loss of property, plant and equipment of RMB1,127,682 and right-of-use assets of RMB245,246 were recognised for the year.

The cash flow projection adopted under the value-in-use calculations incorporates a number of key estimates and assumptions about future events and therefore, are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration of the assumptions that are mainly based on market conditions existed at the end of reporting period. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. The value-in-use calculations also require the management to exercise judgement to determine the budgeted sales growth rate, budgeted gross profit margin and an appropriate discount rate for the cash flow projection.

The key assumptions used to determine the recoverable amount for CGUs, are disclosed and explained in Note 16 to the consolidated financial statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, except for construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives. Actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(c) Estimated incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(d) Provision for inventories

The assessment of the provision for inventories involves management judgements and estimates by considering inventory ageing, historical sales patterns and by comparing the carrying amounts of inventories with their estimated net realisable values, primarily based on the latest selling prices. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

(e) Impairment of trade receivables

The measurement of impairment losses of trade receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on historical settlement and sale channels for grouping of various customers that have similar loss patterns. The Group calibrates the matrix to adjust the historical credit loss experience and forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in forward-looking estimates are analysed.

(f) Recognition of deferred tax assets

As at 31 December 2025, deferred tax assets of RMB21,704,682 (2024: RMB20,266,187) mainly in relation to impairment of assets, write down on inventories, customer loyalty programs, volume rebates and lease arrangement were recognised in the consolidated financial statements. Estimating the deferred tax assets to be recognised require a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future earnings and tax structuring. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Any expected changes in assumptions and estimates in tax regulations could also affect the recoverability of these deferred tax assets in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(g) Fair value measurement

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

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

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

The Group measures the financial assets at fair value through profit or loss and bills receivables at fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

During the reporting period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRS Accounting Standards. Such information does not contain profit or loss information of particular product or service line or brand. Therefore, the executive directors have determined that the Group has only one single reportable segment which is trading of garments and rendering sub-licensing income in the PRC. The executive directors allocate resources and assess performance on an aggregated basis.

In the following table, revenue is disaggregated by primary geographical market, major products and service lines, brands and timing of revenue recognition.

| | 2025 RMB | 2024 RMB |
|--------------------------------------|--------------------|---------------|
| Primary geographical market | | |
| The PRC | 862,800,867 | 1,006,620,320 |
| Major product/service | | |
| Trading of garments | 756,184,919 | 902,236,232 |
| Trademark sub-licensing income | 106,615,948 | 104,384,088 |
| | 862,800,867 | 1,006,620,320 |
| Revenue by brands | | |
| FIRS | 594,781,634 | 710,004,551 |
| SHANSHAN | 265,399,933 | 286,066,447 |
| Others | 2,619,300 | 10,549,322 |
| | 862,800,867 | 1,006,620,320 |
| Timing of revenue recognition | | |
| At a point in time | 680,021,337 | 795,641,217 |
| Transferred over time | 182,779,530 | 210,979,103 |
| | 862,800,867 | 1,006,620,320 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Geographic information

During the reporting period, the Group's operations and non-current assets are situated in the PRC in which all of its revenue was derived.

(c) Information about major customer

During the reporting period, there is no customer with transactions exceeded 10% of the Group's revenue.

(d) Revenue

The following summary describes the operations of the Group's revenue by different sale channels:

| Revenue from contracts with customer within the scope of HKFRS 15: | 2025 RMB | 2024 RMB |
|--|--------------------|---------------|
| Garment products | | |
| – E-commerce platforms | 304,358,592 | 367,749,686 |
| – Franchisee | 141,879,644 | 166,875,421 |
| – Self-operated retail stores | 139,769,113 | 139,074,032 |
| – Distributors | 69,576,441 | 102,361,013 |
| – Work uniform | 100,601,129 | 126,176,080 |
| | 756,184,919 | 902,236,232 |
| Trademark sub-licensing income | 106,615,948 | 104,384,088 |
| | 862,800,867 | 1,006,620,320 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

7. OTHER REVENUE

| | 2025 RMB | 2024 RMB |
|-------------------------------|----------------|------------------|
| Interest income | 159,002 | 628,216 |
| Gain on sale of raw materials | 365,082 | 362,764 |
| Sundry income | 68,446 | 71,291 |
| | 592,530 | 1,062,271 |

8. OTHER GAINS AND LOSSES, NET

| | 2025 RMB | 2024 RMB |
|--|------------------|--------------------|
| Donation | (300,000) | (4,419,462) |
| Net exchange losses | (4,028) | (52,907) |
| Fair value (loss)/gain on financial assets at fair value through profit or loss, net | (157,943) | 354,924 |
| Government grant | 123,763 | 808,687 |
| Loss on disposal of property, plant and equipment, net | (71,250) | (56,444) |
| Gain/(loss) on lease modification | 751,994 | (271,085) |
| Liquidated damages income | 3,297,500 | 597,520 |
| Write down of raw materials, net | (538,043) | (571,598) |
| Others | 304,550 | 510,209 |
| | 3,406,543 | (3,100,156) |

9. FINANCE COSTS

| | 2025 RMB | 2024 RMB |
|--|------------------|------------------|
| Interest expenses on bank borrowings | 6,197,321 | 5,280,960 |
| Less: Amounts capitalised on qualifying assets (Note 16) | (2,505,107) | (303,790) |
| | 3,692,214 | 4,977,170 |
| Interest expenses on lease liabilities | 740,581 | 657,084 |
| | 4,432,795 | 5,634,254 |

Note: Finance costs capitalised during the current year arose from specific borrowings and the general borrowings, with the exception of specific borrowings, the rate used to determine the amount of general borrowing cost eligible for capitalisation was 2.23% (2024: 3.70%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

10. PROFIT BEFORE INCOME TAX

| | 2025 RMB | 2024 RMB |
|--|-------------------|-------------|
| Profit before income tax is arrived at after charging/(crediting): | | |
| Amortisation and depreciation | | |
| – Amortisation of intangible assets | 1,725,239 | 1,621,293 |
| – Depreciation of right-of-use assets | 23,651,455 | 13,141,266 |
| – Depreciation of property, plant and equipment | 16,735,244 | 17,800,393 |
| Total amortisation and depreciation | 42,111,938 | 32,562,952 |
| Impairment loss on financial assets | | |
| – Trade receivables, net | 995,817 | 851,735 |
| – Deposits and other receivables, net | 180,417 | 326,826 |
| Total impairment loss on financial assets, net | 1,176,234 | 1,178,561 |
| Impairment loss on non-financial assets | | |
| – Property, plant and equipment | 1,127,682 | 765,613 |
| – Right-of-use assets | 245,246 | 1,862,667 |
| Total impairment loss on non-financial assets, net | 1,372,928 | 2,628,280 |
| Write down of inventories | | |
| – Finished goods (included in cost of sales) | 1,351,987 | 2,339,780 |
| – Raw materials (included in cost of sales) | 423,551 | 879,474 |
| – Raw materials (included in other gains and losses, net) | 538,043 | 571,598 |
| Total write down of inventories, net | 2,313,581 | 3,790,852 |
| Auditor's remuneration | | |
| – Audit services | 1,038,357 | 1,112,316 |
| – Non-audit services | 327,708 | 326,247 |
| Total auditor's remuneration | 1,366,065 | 1,438,563 |
| Expenses relating to short-term leases and variable lease payments not included in lease liabilities (included in selling and distribution expenses) | 27,340,342 | 27,155,347 |
| Advertising and promotional expenses (included in selling and distribution expenses) | 9,827,131 | 7,357,626 |
| Cost of inventories sold | 526,538,239 | 624,202,526 |
| Fair value loss/(gain) on financial assets at fair value through profit or loss | 157,943 | (354,924) |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

11. STAFF COSTS

| | 2025 RMB | 2024 RMB |
|--|-------------------|-------------|
| Staff costs (including directors) comprise: | | |
| – Salaries and allowances | 38,508,124 | 39,441,681 |
| – Contributions to defined contribution retirement plan (Note) | 3,351,270 | 2,978,820 |
| | 41,859,394 | 42,420,501 |

Note: As stipulated by the rules and regulations in the PRC, the Group is required to participate in a central pension scheme operated by the local municipal governments and contribute a specified percentage of their payroll costs to the central pension scheme to fund the benefits. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

The total expenses recognised in profit or loss represent contribution paid/payable to these scheme by the Group in the year. No forfeited contribution may be used by the Group to reduce the contribution payable in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

12. EMOLUMENTS OF DIRECTORS AND SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(a) Directors and supervisors' emoluments

The emolument for each of the Directors and supervisors for the years ended 31 December 2025 and 2024 is set out below:

Year ended 31 December 2025

| | Fee RMB | Salaries and allowance RMB | Discretionary bonus RMB | Contribution to defined contribution retirement plan RMB | Total RMB |
|--|----------------|-------------------------------------|-------------------------------|---|------------------|
| Executive Directors | | | | | |
| Luo Yefei | 54,765 | 619,066 | - | 17,459 | 691,290 |
| Cao Yang | 54,765 | - | - | - | 54,765 |
| Yan Jingfen | 54,765 | 496,297 | - | - | 551,062 |
| Zhou Yumei | 54,765 | 246,887 | - | - | 301,652 |
| Non-Executive Directors | | | | | |
| Mao Weiyong (Note i) | 45,537 | 506,191 | - | 16,687 | 568,415 |
| Wang Mingming (Note ii) | 31,803 | - | - | - | 31,803 |
| Du Peng (Note iii) | 9,228 | - | - | - | 9,228 |
| Shen Jinxin (Note iv) | 22,962 | - | - | - | 22,962 |
| Independent Non-Executive Directors | | | | | |
| Chow Ching Ning | 109,887 | - | - | - | 109,887 |
| Wang Yashan | 109,887 | - | - | - | 109,887 |
| Wu Xuekai | 109,887 | - | - | - | 109,887 |
| Supervisors | | | | | |
| Zhou Danna | 27,383 | 231,269 | - | 16,859 | 275,511 |
| Wang Yijun | 27,383 | 210,700 | - | 16,859 | 254,942 |
| Yang Yi | 27,383 | 164,752 | - | 16,859 | 208,994 |
| | 740,400 | 2,475,162 | - | 84,723 | 3,300,285 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

12. EMOLUMENTS OF DIRECTORS AND SUPERVISORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors and supervisors' emoluments (Continued)

Year ended 31 December 2024

| | Fee RMB | Salaries and allowance RMB | Discretionary bonus RMB | Contribution to defined contribution retirement plan RMB | Total RMB |
|--|----------------|----------------------------------|-------------------------------|---|------------------|
| Executive Directors | | | | | |
| Luo Yefei | 54,707 | 612,654 | – | 6,116 | 673,477 |
| Cao Yang | 54,707 | – | – | – | 54,707 |
| Yan Jingfen | 54,707 | 511,304 | – | – | 566,011 |
| Zhou Yumei | 54,707 | 250,254 | – | – | 304,961 |
| Non-Executive Directors | | | | | |
| Du Peng (Note iii) | 54,707 | 179,891 | – | 1,687 | 236,285 |
| Shen Jinxin (Note iv) | 54,707 | – | – | – | 54,707 |
| Independent Non-Executive Directors | | | | | |
| Chow Ching Ning | 100,273 | – | – | – | 100,273 |
| Wang Yashan | 100,273 | – | – | – | 100,273 |
| Wu Xuekai | 100,273 | – | – | – | 100,273 |
| Supervisors | | | | | |
| Zhou Danna | 27,354 | 226,368 | – | 20,246 | 273,968 |
| Wang Yijun | 27,354 | 218,952 | – | 20,246 | 266,552 |
| Yang Yi | 27,353 | 163,848 | – | 20,246 | 211,447 |
| | <u>711,122</u> | <u>2,163,271</u> | <u>–</u> | <u>68,541</u> | <u>2,942,934</u> |

Notes:

- (i) Mr. Mao Weiyong was appointed as a non-executive director on 24 February 2025.
- (ii) Mr. Wang Mingming was appointed as a non-executive director on 9 June 2025.
- (iii) Mr. Du Peng resigned as a non-executive director on 24 February 2025.
- (iv) Mr. Shen Jinxin retired as a non-executive director on 9 June 2025.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

12. EMOLUMENTS OF DIRECTORS AND SUPERVISORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2024: three) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2024: two) individuals were as follows:

| | 2025 RMB | 2024 RMB |
|---|------------------|------------------|
| Salaries and other benefits | 1,217,388 | 1,223,022 |
| Contributions to defined contribution retirement plan | 11,078 | 10,123 |
| | 1,228,466 | 1,233,145 |

No discretionary bonus or performance-based bonus was paid or payable to them for both years.

The emoluments paid or payable to the above individuals were within the following band:

| | 2025 No. of individuals | 2024 No. of individuals |
|----------------------|-------------------------------|-------------------------------|
| Nil to HK\$1,000,000 | 2 | 2 |

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the Directors, the Supervisor or the Five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, none of the Directors waived or agreed to waive any emoluments for each of the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

13. INCOME TAX EXPENSE

- (a) Income tax expense recognised in the consolidated statement of profit or loss and other comprehensive income are as follow:

| | 2025 RMB | 2024 RMB |
|---------------------------------|--------------------|-------------|
| PRC Enterprise Income Tax | | |
| – Provision for the year | 3,987,693 | 11,706,984 |
| – Under provision in prior year | 1,364,912 | 870,490 |
| | 5,352,605 | 12,577,474 |
| Deferred taxation (Note 21) | (1,438,495) | (1,265,835) |
| Income tax expense | 3,914,110 | 11,311,639 |

PRC Enterprise Income Tax (“PRC EIT”)

The PRC EIT represents tax charged on the estimated assessable profits arising in Mainland China. The Company and its subsidiaries operating in Mainland China are subject to the PRC EIT rate of 25% (2024: 25%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

13. INCOME TAX EXPENSE (CONTINUED)

- (b) The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

| | 2025 RMB | 2024 RMB |
|--|-------------------|-------------|
| Profit before income tax | 11,810,542 | 44,485,167 |
| Tax expenses calculated at the domestic income tax rate | 2,952,636 | 11,121,292 |
| Tax effect of revenue not taxable for tax purposes | (737,421) | (1,326,100) |
| Tax effect of expenses not deductible for tax purposes | 580,286 | 226,985 |
| Tax effect of tax losses and deductible temporary differences not recognised | 56,059 | 2,681,811 |
| Under provision in prior years | 1,364,912 | 870,490 |
| Tax effect of share of result of an associate | (144,982) | (136,948) |
| Tax effect of share of result of a joint venture | – | 5,177 |
| Utilisation of tax losses previously not recognised | (157,380) | (2,131,068) |
| Income tax expense | 3,914,110 | 11,311,639 |

The domestic income tax rate represents the EIT rate in the PRC where the Group's operations are substantially based.

As at 31 December 2024, the Group had estimated unused tax losses of approximately RMB629,518 available for offset against future profits which were arising from operation. All estimated unused tax losses were utilised to offset against profits during the year. The tax losses are subject to the final assessment by the tax authorities in the respective jurisdictions where the tax losses arising from.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

14. EARNINGS PER SHARE

The basic and diluted earnings per share attributable to the owners of the Company are calculated as follows:

| | 2025 RMB | 2024 RMB |
|---|--------------------|--------------------|
| Earnings | | |
| Profit for the purposes of basic and diluted earnings per share attributable to owners of the Company | <u>7,896,432</u> | <u>33,173,528</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | <u>133,400,000</u> | <u>133,400,000</u> |
| Earnings per share | <u>0.06</u> | <u>0.25</u> |

There were no potential ordinary shares outstanding during the years ended 31 December 2025 and 2024, and hence the diluted earnings per share is the same as basic earnings per share.

15. DIVIDEND

| | 2025 RMB | 2024 RMB |
|--|-------------|-------------------|
| Final dividend declared in respect of the prior year of RMB8.0 cents per share | <u>–</u> | <u>10,672,000</u> |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements RMB | Plant and machinery RMB | Furniture and fixtures RMB | Motor vehicles RMB | Construction in progress RMB | Total RMB |
|---|----------------------------------|-------------------------------|----------------------------------|--------------------------|------------------------------------|--------------------|
| Cost: | | | | | | |
| As at 1 January 2024 | 2,144,833 | 7,525,062 | 128,277,550 | 2,249,583 | - | 140,197,028 |
| Additions | 164,716 | 3,998 | 21,376,755 | - | 49,960,159 | 71,505,628 |
| Disposals | - | - | (27,352,450) | - | - | (27,352,450) |
| As at 31 December 2024 and 1 January 2025 | 2,309,549 | 7,529,060 | 122,301,855 | 2,249,583 | 49,960,159 | 184,350,206 |
| Additions | - | 38,977 | 18,455,726 | - | 73,820,196 | 92,314,899 |
| Disposals | - | (1,923) | (42,912,403) | (114,010) | - | (43,028,336) |
| As at 31 December 2025 | 2,309,549 | 7,566,114 | 97,845,178 | 2,135,573 | 123,780,355 | 233,636,769 |
| Accumulated depreciation and impairment: | | | | | | |
| As at 1 January 2024 | 1,907,910 | 5,876,261 | 116,996,005 | 815,457 | - | 125,595,633 |
| Charge for the year | 280,879 | 2,299 | 17,187,673 | 329,542 | - | 17,800,393 |
| Impairment | - | - | 765,613 | - | - | 765,613 |
| Eliminated on disposals | - | - | (27,296,006) | - | - | (27,296,006) |
| As at 31 December 2024 and 1 January 2025 | 2,188,789 | 5,878,560 | 107,653,285 | 1,144,999 | - | 116,865,633 |
| Charge for the year | 80,508 | 38,509 | 16,224,495 | 391,732 | - | 16,735,244 |
| Impairment | - | - | 1,127,682 | - | - | 1,127,682 |
| Eliminated on disposals | - | (1,553) | (42,843,222) | (110,590) | - | (42,955,365) |
| As at 31 December 2025 | 2,269,297 | 5,915,516 | 82,162,240 | 1,426,141 | - | 91,773,194 |
| Carrying amounts: | | | | | | |
| As at 31 December 2025 | 40,252 | 1,650,598 | 15,682,938 | 709,432 | 123,780,355 | 141,863,575 |
| As at 31 December 2024 | 120,760 | 1,650,500 | 14,648,570 | 1,104,584 | 49,960,159 | 67,484,573 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Construction in progress

Construction in progress mainly represented the construction costs incurred for a comprehensive building, comprising a product research and development center, a high-end digital intelligent manufacturing plant and a digital intelligence warehouse for its formal and causal business menswear business. The building was not yet available for commercial use at the end of both reporting periods. Further details are disclosed in *Land use right* in Note 17 to the consolidated financial statement.

During the year, interest capitalised in the construction in progress amounted to RMB2,505,107 (2024: RMB303,790) (Note 9).

Depreciation

Depreciation is included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

| | 2025 RMB | 2024 RMB |
|-----------------------------------|-------------------|-------------|
| Cost of sales | 14,518 | 6,800 |
| Selling and distribution expenses | 15,985,018 | 15,628,752 |
| Administrative expenses | 735,708 | 2,164,841 |
| | 16,735,244 | 17,800,393 |

Impairment assessment

The Group operates retail stores with furniture and fixtures on leased properties with lease tenure ranging from 1 to 5 years. Management regards each individual retail store as a separately identifiable cash-generating unit (“CGUs”) and performs impairment assessments on each of the CGUs with impairment indicators by considering the recoverable amount of such assets at retail stores level.

During the year ended 31 December 2025, management identified those retail stores with impairment indicators and performed impairment assessments to estimate the corresponding recoverable amounts of their property, plant and equipment and right-of-use assets.

The Directors determine the recoverable amount of each of the CGUs based on value-in-use calculation, which comprised cash flow projections prepared based on the latest financial budget approved by the management cover the remaining lease tenure.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment (Continued)

Based on the result of the impairment assessment, the recoverable amounts of those impaired CGUs were estimated to be approximately RMB2,555,725, which was lower than the carrying amount of RMB3,928,653.

Accordingly, impairment loss of RMB1,372,928 was recognised for the year ended 31 December 2025 (2024: RMB2,628,280) which was allocated as to RMB1,127,682 (2024: RMB765,613) to property, plant and equipment and RMB245,246 (2024: RMB1,862,667) to right-of-use assets.

Despite that economic activities were returning to their normality following the containment of the pandemic, economic recovery was slower than expected against a backdrop of global economic uncertainties and slowdown of China's economy. Added with the intensified market competition, the apparel industry is recovering from a low level and is yet to witness an improvement in efficiency.

The Group's financial budget was revised to reflect to current assessment of the economic and market conditions and additional impairment loss of property, plant and equipment of RMB1,127,682 was resulted from the assessment.

The management has determined that the recoverable amount calculations are most sensitive to change in the following assumptions:

| Key assumptions | Basis for determining values assigned to key assumptions | Range |
|-----------------------|---|---------|
| Sales growth rate | Average expected GDP growth rate published by PRC financial institution in the relevant PRC market | 4.50% |
| Gross profit margin | Average gross profit margin achieved in the period immediately before the start of the budget period | 36%-73% |
| Salaries growth rate | Average expected salaries inflation rates published by PRC financial institution in the relevant PRC market | 4.00% |
| Expense growth rate | Average expected inflation rates published by PRC financial institution in the relevant PRC market | 2.50% |
| Pre-tax discount rate | Reflect the specific risks related to the business and industry in which the CGUs was engaged | 12.51% |

These assumptions were determined based on past performance and management's expectations in respect of the market conditions as well as the economy and political changes which had impact on the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS

Nature of leasing activities

Land use right

In 2023, the Group entered into a very substantial acquisition transaction in relation to acquisition of a land use right and entering into an investment agreement (“Project”).

The land is located in Wangchun Industrial Park, Haishu District, Ningbo City, Zhejiang Province, the PRC with a total land area of 28,656, sq.m. (i.e. approximately 43 mu).

The Group planned to construct a comprehensive building on the land, comprising a product research and development center, a high-end digital intelligent manufacturing plant and a digital intelligence warehouse for its formal and causal business menswear business. The Group obtained the certificate of land use right for 50 years with a cash consideration of RMB41,321,952.

Pursuant to the investment agreement, the Group undertakes to ensure the following:

- the value of its fixed asset investment in relation to the Project will be no less than RMB236,500,000;
- its total annual tax payable will be no less than RMB38,700,000 (“Tax Target”);
- the investment value of research and development expenses of 2.3%, which is calculated based on the amount of research and development investments divided by the primary business income of the Project multiplied by 100%;
- a building floor ratio of not less than 2.3 and not more than 2.6, which is calculated based on the total construction area of the Project divided by the area of the land;
- an added value per unit energy consumption of RMB88,000 per ton of coal and an added value of RMB26.44 million per ton of unit emission regarding the Project; and
- an output value of not less than RMB860,000,000 per annum.

Should the Tax Target not be achieved, the Group is obligated to compensate the government for the shortfall between the actual tax paid and the Tax Target. Management assesses the likelihood of failing to meet the Tax Target is minimal at the date of entering into the investment agreement and the financial year end.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS (CONTINUED)

Nature of leasing activities (Continued)

Retail stores, warehouses and offices premises and others

The Group has obtained the rights to use properties as its retail stores, warehouses and offices premises and others through tenancy agreements. The leases generally have lease tenure between 1 to 5 years.

Lease terms are negotiated on an individual basis with certain different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

Variable lease payments

The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and certain of these leases also include a fixed minimum annual lease payment terms.

Up to 43% (2024: 53%) of total lease payments are on the basis of variable payment terms with percentages ranging from 3% to 31% (2024: 4% to 45%) of monthly sales. These payment terms are common in retail stores in PRC where the Group operates.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

As at 31 December 2025, a 1% (2024: 1%) increase in sales across these retail stores in the Group with such variable lease contract would increase total lease payments by RMB236,208 (2024: RMB780,530).

The overall financial effect of using variable payment terms is that higher rental costs are incurred by retail stores with higher sales. Variable rental expenses are expected to continue to represent a similar proportion of store sales in future years.

Total cash outflow for leases (including short-term leases)

For the year ended 31 December 2025, the total cash outflow for leases is RMB50,651,535 (2024: RMB46,213,621). Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and prepayment of short term leases. These amounts would be presented in operating activities and financing activities.

| | 2025 RMB | 2024 RMB |
|---|-------------------|-------------|
| Cash outflow for leases as operating activities | 28,148,302 | 29,716,593 |
| Cash outflow for leases as financing activities | 22,503,233 | 16,497,028 |
| | 50,651,535 | 46,213,621 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of the net carrying amounts of the right-of-use assets by class of underlying assets is as follows:

| | Land use right RMB | Retail stores RMB | Warehouse RMB | Office premises and others RMB | Total RMB |
|--|-----------------------|----------------------|------------------|-----------------------------------|-------------------|
| As at 1 January 2024 | 40,118,400 | 6,353,846 | 2,804,396 | 1,400,325 | 50,676,967 |
| Additions | 1,203,552 | 14,652,860 | 7,833,859 | 272,112 | 23,962,383 |
| Impairment | – | (1,862,667) | – | – | (1,862,667) |
| Effect of lease modification | – | (425,657) | – | – | (425,657) |
| Depreciation | (688,699) | (5,951,629) | (4,963,407) | (1,537,531) | (13,141,266) |
| As at 31 December 2024 and 1 January 2025 | 40,633,253 | 12,766,753 | 5,674,848 | 134,906 | 59,209,760 |
| Additions | – | 17,023,512 | 7,610,264 | 2,419,138 | 27,052,914 |
| Impairment | – | (245,246) | – | – | (245,246) |
| Effect of lease modification | – | (28,647) | – | – | (28,647) |
| Depreciation | (826,439) | (10,343,273) | (10,001,608) | (2,480,135) | (23,651,455) |
| At 31 December 2025 | 39,806,814 | 19,173,099 | 3,283,504 | 73,909 | 62,337,326 |

Pledged asset

At 31 December 2025, the Group has pledged a land use right with a carrying amount of RMB39,806,814 (2024: RMB40,633,253) as security for bank borrowings as referred to Note 29 to the consolidated financial statements.

Depreciation

Depreciation is included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

| | 2025 RMB | 2024 RMB |
|-----------------------------------|-------------------|-------------|
| Cost of goods sold | 289,254 | 241,044 |
| Selling and distribution expenses | 22,206,615 | 11,293,821 |
| Administrative expenses | 1,155,586 | 1,606,401 |
| | 23,651,455 | 13,141,266 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS (CONTINUED)

Impairment assessment

As at 31 December 2025, the Group's management identified certain retail stores which continued to underperform, and estimated the corresponding recoverable amounts of their right-of-use assets.

Based on these estimates, an impairment loss of RMB245,246 (2024: RMB1,862,667) was recognised to write down the carrying amounts of these right-of-use assets to their recoverable amounts. Details of the impairment assessment are disclosed in Note 16 to the consolidated financial statement.

18. INTANGIBLE ASSETS

| | Trademark RMB | Software RMB | Total RMB |
|---|------------------|-----------------|--------------|
| Cost: | | | |
| As at 1 January 2024, 31 December 2024, 1 January 2025 | 16,916,800 | 8,523,877 | 25,440,677 |
| Written off (Note) | (3,900,000) | – | (3,900,000) |
| As at 31 December 2025 | 13,016,800 | 8,523,877 | 21,540,677 |
| Accumulated amortisation: | | | |
| As at 1 January 2024 | 14,966,800 | 3,964,413 | 18,931,213 |
| Charge for the year | 975,000 | 646,293 | 1,621,293 |
| As at 31 December 2024 and 1 January 2025 | 15,941,800 | 4,610,706 | 20,552,506 |
| Charge for the year | 975,000 | 750,239 | 1,725,239 |
| Written off | (3,900,000) | – | (3,900,000) |
| As at 31 December 2025 | 13,016,800 | 5,360,945 | 18,377,745 |
| Carrying amounts: | | | |
| As at 31 December 2025 | – | 3,162,932 | 3,162,932 |
| As at 31 December 2024 | 975,000 | 3,913,171 | 4,888,171 |

Note: Pursuant to an announcement dated 30 September 2021, the Company acquired the exclusive license to use licensed trademark for four years commencing from 1 January 2022. The license was matured and thus written off as at 31 December 2025.

On 30 November 2025, the Group signed a renewal agreement to extend the licensing period of above trademark from 1 January 2026 to 31 December 2029 at a consideration RMB6,600,000. The capital commitment for this extension are included in Note 35(b) to the consolidated financial statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

19. INTEREST IN AN ASSOCIATE

| | 2025 RMB | 2024 RMB |
|---------------------|------------------|-------------|
| Share of net assets | 7,850,855 | 7,270,928 |

Details of the Group's associate as at 31 December 2025 and 2024 are as follows:

| Name of associate | Form of business structure | Place of incorporation and operation | Proportion of paid-up capital held by the Group | | Principal activity |
|---|----------------------------|--------------------------------------|---|------|--|
| | | | 2025 | 2024 | |
| Ningbo Shanjing Apparel Co., Ltd. ("Ningbo Shanjing") | Incorporated | The PRC | 46% | 46% | Provision for leasing service in the PRC |

(a) Summarised financial information of an associate

| Ningbo Shanjing | 2025 RMB | 2024 RMB |
|--|--------------------|-------------|
| Current assets | 11,247,489 | 10,392,127 |
| Non-current assets | 7,604,287 | 7,729,807 |
| Current liabilities | (1,784,700) | (2,315,568) |
| Revenue | 8,543,266 | 13,064,632 |
| Profit for the year and total comprehensive income | 1,260,710 | 1,190,849 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

19. INTEREST IN AN ASSOCIATE (CONTINUED)

(b) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements are as follow:

| Ningbo Shanjing | 2025 RMB | 2024 RMB |
|---|-------------------|-------------|
| Net assets | 17,067,076 | 15,806,366 |
| Proportion of the Group's ownership interest | 46% | 46% |
| Carrying amount of the Group's interest in an associate | 7,850,855 | 7,270,928 |

20. INTEREST IN A JOINT VENTURE

| | 2025 RMB | 2024 RMB |
|--------------------------------------|------------------|-------------|
| Share of net assets | 865,214 | 865,214 |
| Amount due to a joint venture (Note) | (875,000) | (875,000) |

Details of the Group's joint venture as at 31 December 2025 and 2024 are as follows:

| Name of joint venture | Form of business structure | Place of incorporation and operation | Proportion of paid-up capital held by the Group | | Principal activity |
|---|----------------------------|--------------------------------------|---|------|--------------------|
| | | | 2025 | 2024 | |
| Hangzhou Shanxi E-commerce Co., Ltd ("Hangzhou Shanxi") | Incorporated | The PRC | 35% | 35% | Inactive |

Note: Amount represents payable for investment cost in a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

20. INTEREST IN A JOINT VENTURE (CONTINUED)

(a) Summarised financial information of a joint venture

| Hangzhou Shanxi | 2025 RMB | 2024 RMB |
|--|------------------|-------------|
| Current assets | 2,948,860 | 2,948,860 |
| Non-current assets | 79,990 | 79,990 |
| Current liabilities | (556,809) | (556,809) |
| Revenue | – | – |
| Loss for the year and total comprehensive income | – | (59,159) |

(b) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements are as follow:

| Hangzhou Shanxi | 2025 RMB | 2024 RMB |
|--|------------------|-------------|
| Net assets | 2,472,041 | 2,472,041 |
| Proportion of the Group's ownership interest | 35% | 35% |
| Carrying amount of the Group's interest in a joint venture | 865,214 | 865,214 |

Notes to the Consolidated Financial Statements

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21. DEFERRED TAX

The following are the major deferred tax assets recognised by the Group and movements thereon during the years ended 31 December 2025 and 2024.

| | Impairment loss on property, plant and equipment RMB | ECL allowance on trade and other receivables RMB | Provision for write- down on inventories RMB | Customer loyalty programs RMB | Volume rebates RMB | Temporary difference attributable to lease RMB | Total RMB |
|--|---|---|--|--|--------------------------|--|-------------------|
| As at 1 January 2024 | 284,626 | 131,923 | 17,705,150 | - | 615,526 | 263,127 | 19,000,352 |
| Credit/(charge) to profit or loss (Note 13) | (66,518) | 252,743 | 947,713 | 284,616 | (489,224) | 336,505 | 1,265,835 |
| As at 31 December 2024 and 1 January 2025 | 218,108 | 384,666 | 18,652,863 | 284,616 | 126,302 | 599,632 | 20,266,187 |
| Credit/(charge) to profit or loss (Note 13) | 498,912 | 291,812 | 578,393 | 67,736 | (126,302) | 127,944 | 1,438,495 |
| As at 31 December 2025 | 717,020 | 676,478 | 19,231,256 | 352,352 | - | 727,576 | 21,704,682 |

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2025 RMB | 2024 RMB |
|---------------------|-------------------|-------------|
| Deferred tax assets | 21,704,682 | 20,266,187 |

Management expects it is probable that taxable profit will be available against which the above deductible temporary differences can be utilised in the coming years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

22. INVENTORIES

| | 2025 RMB | 2024 RMB |
|--|---------------------|--------------|
| Raw materials | 9,550,421 | 11,461,838 |
| Work-in-progress | 11,878,995 | 14,539,648 |
| Finished goods | 277,856,119 | 326,831,743 |
| | 299,285,535 | 352,833,229 |
| Less: Provision for obsolete inventories | (76,925,030) | (74,611,449) |
| | 222,360,505 | 278,221,780 |

23. TRADE AND BILLS RECEIVABLES

| | 2025 RMB | 2024 RMB |
|--------------------------------|---------------------|--------------|
| Trade receivables | 198,690,013 | 269,698,165 |
| Less: Provision for impairment | (22,373,974) | (29,972,239) |
| | 176,316,039 | 239,725,926 |
| Bills receivables | 144,164 | 100,000 |
| | 176,460,203 | 239,825,926 |

Note: As at 31 December 2025, included in trade receivables were amounts due from fellow subsidiaries of RMB768,947, raised from the sale of uniform, as mentioned in Note 33(b) of the consolidated financial statement.

As at 31 December 2024, included in trade receivables were amounts due from fellow subsidiaries of RMB901,290, raised from the sale of uniform, as mentioned in Note 33(a) of the consolidated financial statement.

The above amounts due from fellow subsidiaries are unsecured, interest-free and receivable according to the relevant terms in the sales agreements.

Ageing analysis

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, at the end of reporting period.

| | 2025 RMB | 2024 RMB |
|-----------------------------------|--------------------|-------------|
| Within 3 months | 140,661,142 | 197,068,156 |
| Over 3 months but within 6 months | 10,117,165 | 13,294,132 |
| Over 6 months but within 1 year | 19,680,217 | 22,504,325 |
| Over 1 year | 5,857,515 | 6,859,313 |
| | 176,316,039 | 239,725,926 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

Expected credit loss measurement

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

| | 2025 RMB | 2024 RMB |
|--|--------------------|-------------|
| As at 1 January | 29,972,239 | 34,925,855 |
| Impairment loss recognised during the year | 995,817 | 851,735 |
| Amounts written off | (8,594,082) | (5,805,351) |
| As at 31 December | 22,373,974 | 29,972,239 |

The Group offers a general credit period up to 240 days to its customers.

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

| | 2025 RMB | 2024 RMB |
|---|---------------------|-------------|
| Deposits and other receivables | 9,563,891 | 10,848,354 |
| Less: Provision for impairment | (499,841) | (322,424) |
| | 9,064,050 | 10,525,930 |
| Prepayments | 33,662,043 | 12,592,569 |
| | 42,726,093 | 23,118,499 |
| Less: Non-current portion of prepayments, deposits and other receivables | (13,426,631) | (2,007,608) |
| | 29,299,462 | 21,110,891 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Deposits and other receivables

Deposits and other receivables mainly represent refundable earnest money paid to the shopping malls and online platform operators and temporary payment on behalf of franchisees.

Other receivables consist of an amount of RMB600,000 receivable from a substantial shareholder of the Company.

Expected credit loss measurement

Movements in the loss allowance account in respect of deposits and other receivables during the year are as follows:

| | 2025 RMB | 2024 RMB |
|--|----------------|-------------|
| As at 1 January | 322,424 | 115,598 |
| Impairment loss recognised during the year | 180,417 | 326,826 |
| Amounts written off | (3,000) | (120,000) |
| As at 31 December | 499,841 | 322,424 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Prepayments

| | 2025 RMB | 2024 RMB |
|--|-------------------|-------------|
| Non-current | | |
| Prepayments for plant and machinery (Note) | 11,012,516 | – |
| Current | | |
| Prepayments to suppliers | 12,820,786 | 3,640,791 |
| Prepayments for short-term leases | 3,580,806 | 2,561,246 |
| Prepayments for advertising | 4,200,268 | 5,696,913 |
| Prepayments for renovation | 314,852 | 200,000 |
| Prepayments for expenses | 1,732,815 | 493,619 |
| | 22,649,527 | 12,592,569 |
| | 33,662,043 | 12,592,569 |

Note: The Group has prepaid and entered into a number of contracts for the acquisition of certain plant and machinery that the Group has not received related equipment and services at the end of reporting period. These prepayments would be transferred to “property, plant and equipment” upon receipt of relevant equipment and services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 2025 RMB | 2024 RMB |
|---|--------------------|-------------|
| CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 110,065,336 | 106,457,075 |
| PLEDGED DEPOSITS | | |
| Pledged deposits for bills payables (Note 26) | – | 8,500,000 |
| Pledged deposits for work uniform | 405,581 | – |
| Pledged deposits for construction of building | 2,172,445 | 2,172,445 |
| Total pledged deposits | 2,578,026 | 10,672,445 |
| Less: Non-current portion of pledged deposits | – | (2,172,445) |
| Current portion of pledged deposits | 2,578,026 | 8,500,000 |

- (a) As at 31 December 2025, over 90% (2024: over 90%) of the cash and cash equivalents denominated in RMB, were deposited in the PRC banks.

Bank balances earn interest at floating rates based on daily bank deposit rates.

- (b) The bank balances are deposited with creditworthy banks. The Directors considered that the fair values of the cash and cash equivalents and pledged deposits are not materially different from their carrying amounts because of the short maturity period on their inception.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

26. TRADE AND BILLS PAYABLES

| | 2025 RMB | 2024 RMB |
|----------------|--------------------|-------------|
| Trade payables | 138,899,147 | 199,080,405 |
| Bills payables | – | 17,000,000 |
| | 138,899,147 | 216,080,405 |

As at 31 December 2024, the bills payables were pledged by a deposit of RMB8,500,000 and were guaranteed by a subsidiary of the Company. The bills payables were usually settled within six months from the date of issue.

Ageing analysis

The trade payables are non-interest bearing and normally due to be settled within twelve months. The carrying amounts of trade payables approximate to their fair values and are denominated in RMB. The ageing analysis, based on invoice date, is as follows:

| | 2025 RMB | 2024 RMB |
|-----------------------------------|--------------------|-------------|
| Within 3 months | 104,188,612 | 173,755,222 |
| Over 3 months but within 6 months | 19,019,032 | 12,651,239 |
| Over 6 months but within 1 year | 8,978,213 | 7,138,247 |
| Over 1 year | 6,713,290 | 5,535,697 |
| | 138,899,147 | 199,080,405 |

27. CONTRACT LIABILITIES

| | 2025 RMB | 2024 RMB |
|------------------------------------|-------------------|-------------|
| Contract liabilities arising from: | | |
| Trading of garments | | |
| – Advance from customers | 7,398,533 | 23,407,461 |
| – Volume rebate | – | 4,449,021 |
| – Prepaid cards | 1,707,371 | 2,815,379 |
| – Customer loyalty programs | 1,409,409 | 1,138,462 |
| | 10,515,313 | 31,810,323 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

27. CONTRACT LIABILITIES (CONTINUED)

| | RMB |
|--|---------------------|
| As at 1 January 2024 | 35,243,048 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year | (32,022,112) |
| Increase in contract liabilities as a result of advanced consideration received from customers, prepaid cards, volume rebate and customer loyalty programs during the year | 28,589,387 |
| As at 31 December 2024 and 1 January 2025 | 31,810,323 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year | (29,614,823) |
| Increase in contract liabilities as a result of advanced consideration received from customers, prepaid cards and customer loyalty programs during the year | 8,319,813 |
| As at 31 December 2025 | 10,515,313 |

Contract liabilities represent advances received from customers for trading of garments, volume rebate, prepaid cards and provision for customer loyalty programme. It is the Company's unfulfilled obligation to transfer goods or render services to a customer for which the entity has received consideration. These advances are recognised as contract liabilities until the transactions are completed.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Advance from customers

The Group requires certain customers to provide upfront deposits. A deposit received before the goods have been delivered to the designated location or services have been rendered will give rise to contract liabilities at the start of a contract until the goods delivered or services rendered to date outweighs the amount received.

As at 31 December 2025, the contract liabilities were expected to be recognised as revenue in the next 12 months.

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For the year ended 31 December 2025

27. CONTRACT LIABILITIES (CONTINUED)

Prepaid cards

The Group issues prepaid cards which have no expiration and can be utilised in the future consumption in retail stores at customers' discretion.

The contract liabilities were expected to be recognised as revenue in the next 12 months based on the Group's expectation on the timing of utilisation made by customers.

Customer loyalty programme

The Group grants reward points upon certain purchases of retail customers who are the members of the Group's customer loyalty program. The reward points are redeemable for future products at customers' discretion with valid period of 1 year. The Group determines this offer represents a material right to purchase additional products and recognised as a contract liability based on the relative stand-alone price of the performance obligation in the contract. The contract liability recognises as revenue when the customer redeems it for goods or when it expires.

28. OTHER PAYABLES AND ACCRUALS

| | 2025 RMB | 2024 RMB |
|--|---------------------|--------------|
| Deposits received | 69,008,072 | 77,829,372 |
| Construction payables | 32,086,028 | 26,049,938 |
| Other operating expenses payables and accruals | 12,614,226 | 8,133,250 |
| Other tax payables (Note) | 8,431,964 | 10,859,056 |
| | 122,140,290 | 122,871,616 |
| Less: Non-current portion of other payables and accruals | (11,970,000) | (11,460,000) |
| | 110,170,290 | 111,411,616 |

Note: Other tax payables mainly include value-added tax payables arising from sale.

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28. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Deposits received

The deposits received represent interest-free refundable deposits from franchisees, sub-licensing users, distributors and customers from work uniform sales channel. The breakdown of deposits received is as follows:

| | 2025 RMB | 2024 RMB |
|--|-------------------|-------------|
| Deposits received from franchisees | 48,737,034 | 56,863,749 |
| Deposits received from sub-licensing users | 11,970,000 | 12,609,189 |
| Deposits received from distributors | 7,523,140 | 7,706,434 |
| Deposits received from others | 777,898 | 650,000 |
| | 69,008,072 | 77,829,372 |

29. INTEREST-BEARING BANK BORROWINGS

| | 2025 RMB | 2024 RMB |
|----------------------------|--------------------|-------------|
| Non-current | | |
| Long-term bank borrowings | 52,696,455 | – |
| Current | | |
| Short-term bank borrowings | 170,000,000 | 145,000,000 |
| Total borrowings | 222,696,455 | 145,000,000 |

As at 31 December 2025, bank borrowings denominated in RMB included the following:

- Amounts of RMB170,000,000 being guaranteed by a subsidiary of the Company and personal guarantee from Directors, with fixed interest rate from 2.60% to 3.00% per annum and repayable within one year.

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29. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

- Amounts of RMB52,696,455 were secured by a land use right with carrying amount of RMB39,806,814, which was recognised as right-of-use assets, and guaranteed by a subsidiary of the Company, with variable interest rate at 5-year Loan Prime Rate per annum. The effective interest rate of the borrowings ranged from 3.50% to 3.60% per annum. The borrowing were repayable as follows:

| | RMB |
|---|-------------------|
| More than one year, but not exceeding two years | 10,000,000 |
| More than two years, but not exceeding five years | 20,000,000 |
| More than five years | 22,696,455 |
| Total | 52,696,455 |

These bank borrowings are subject to annual review of certain financial covenant terms in relation to maintaining a minimum debt-asset ratio requirements (based on audited financial statements) of the Company, otherwise the bank would have a right to demand an early repayment of the loan. During the year ended 31 December 2025, the Group had not breached any financial covenant terms.

As at 31 December 2024, bank borrowings denominated in RMB included the following:

- Amounts of RMB100,000,000 being guaranteed by a subsidiary of the Company and personal guarantee from Directors, with fixed interest rate from 3.35% to 3.45% per annum and repayable within one year.

Amounts of RMB62,000,000 included in above bank borrowings are subject to annual review of certain financial covenant terms in relation to maintaining a minimum debt-asset ratio requirements (based on audited financial statements) of the Company, otherwise the bank would have a right to demand an early repayment of the loan. During the year ended 31 December 2024, the Group had not breached any financial covenant terms.

- Amounts of RMB45,000,000 being guaranteed by a subsidiary of the Company, with fixed interest rate at 3.80% per annum and repayable within one year.

The Directors estimated the fair value of the interest-bearing bank borrowings by discounting their future cash flows at the market rate, and the Directors considered that the carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values at each reporting date.

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For the year ended 31 December 2025

30. LEASE LIABILITIES

Movement of the Group's lease liabilities is analysis as follows:

| | Retail stores RMB | Warehouse RMB | Office premises and others RMB | Total RMB |
|--|----------------------|------------------|--------------------------------------|-------------------|
| As at 1 January 2024 | 7,670,225 | 2,248,791 | 1,001,102 | 10,920,118 |
| Addition of new leases | 14,652,860 | 7,833,859 | 272,112 | 22,758,831 |
| Effect of lease modification | (154,572) | – | – | (154,572) |
| Interest expenses (Note 9) | 490,914 | 141,519 | 24,651 | 657,084 |
| Interest element of lease payments | (296,737) | (132,710) | (23,287) | (452,734) |
| Principal element of lease payments | (7,483,951) | (7,619,973) | (940,370) | (16,044,294) |
| As at 31 December 2024 and 1 January 2025 | 14,878,739 | 2,471,486 | 334,208 | 17,684,433 |
| Addition of new leases | 17,023,512 | 7,610,264 | 2,419,138 | 27,052,914 |
| Effect of lease modification | (780,641) | – | – | (780,641) |
| Interest expenses (Note 9) | 631,106 | 92,327 | 17,148 | 740,581 |
| Interest element of lease payments | (463,457) | (17,460) | (994) | (481,911) |
| Principal element of lease payments | (10,981,495) | (8,270,327) | (2,769,500) | (22,021,322) |
| As at 31 December 2025 | 20,307,764 | 1,886,290 | – | 22,194,054 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

30. LEASE LIABILITIES (CONTINUED)

Future lease payments are due as follows:

| | At 31 December 2025 | | |
|--|------------------------|----------------|-------------------|
| | Minimum lease payments | Interest | Present value |
| | RMB | RMB | RMB |
| Not later than one year | 16,485,911 | 401,960 | 16,083,951 |
| Later than one year but not later than two years | 5,241,545 | 71,390 | 5,170,155 |
| Later than two years but not later than five years | 945,242 | 5,294 | 939,948 |
| At 31 December 2025 | 22,672,698 | 478,644 | 22,194,054 |

| | At 31 December 2024 | | |
|--|------------------------|----------------|-------------------|
| | Minimum lease payments | Interest | Present value |
| | RMB | RMB | RMB |
| Not later than one year | 11,954,261 | 479,972 | 11,474,289 |
| Later than one year but not later than two years | 5,335,071 | 143,676 | 5,191,395 |
| Later than two years but not later than five years | 1,031,007 | 12,258 | 1,018,749 |
| At 31 December 2024 | 18,320,339 | 635,906 | 17,684,433 |

The present value of future lease payments are analysed as:

| | 2025 | 2024 |
|-------------------------|-------------------|-------------------|
| | RMB | RMB |
| Current liabilities | 16,083,951 | 11,474,289 |
| Non-current liabilities | 6,110,103 | 6,210,144 |
| | 22,194,054 | 17,684,433 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

31. SHARE CAPITAL

| | Number of shares | RMB |
|---|--------------------|--------------------|
| Registered domestic share capital and H Shares | | |
| As at 1 January 2024, 31 December 2024 and 31 December 2025 | <u>133,400,000</u> | <u>133,400,000</u> |

32. PURPOSE OF RESERVES

(a) Capital reserve

Being part of the Group's Reorganisation which details were set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus dated 12 June 2018, the Company (previously known as "Shanshan Garment Brand") increased share capital from RMB50,000,000 to RMB100,000,000 with reference to the net asset value of the Company at the date of capital restructuring. Increase in share capital was completed through utilisation of accumulated profits and statutory surplus reserve. The excess portion of net asset value of the Company at the date of capital restructuring over the enlarged share capital was transferred to capital reserve.

(b) Statutory surplus reserve

Statutory surplus reserve is required by the relevant laws and regulations in the PRC. The Company and its subsidiaries, which established in the PRC, is required to appropriate 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory surplus reserve until the reserve fund reaches 50% of these companies' registered capital. It may be utilised by the Company for restricted purposes including offsetting against prior years' losses or increase the capital of the Company. The transfer of this reserve must be made before the distribution of dividend to the equity owners of these companies.

(c) Merger reserve

Merger reserve arose as a result of a group reorganisation completed in May 2016 and represented the difference between the consideration under the reorganization and the nominal value of the share capital of the subsidiaries then acquired.

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For the year ended 31 December 2025

33. RELATED PARTY DISCLOSURES

(a) Continuing connected transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements during the year, the Group entered into the following significant transactions with its related parties which also constitute connected parties as defined under Chapter 14A of the Listing Rules.

| Connected parties | Nature of transactions | 2025 RMB | 2024 RMB |
|---|------------------------|-------------|-------------|
| Inner Mongolia Shanshan Technology Co., Ltd. | Sale of goods | – | 260,885 |
| Yunnan Shanshan New Material Co., Ltd. | Sale of goods | – | 247,788 |
| Fujian Shanshan Technology Co., Ltd. | Sale of goods | – | 171,558 |
| Ningbo Shanshan New Material Technology Co., Ltd. | Sale of goods | – | 146,636 |
| Shanghai Shanshan New Materials Co., Ltd. | Sale of goods | – | 30,046 |
| Chenzhou Shanshan New Material Co., Ltd. | Sale of goods | – | 16,283 |

Note: On 13 October 2022, the Company entered into the Supply Framework Agreement with Ningbo Shanshan Co., Ltd (“Ningbo Shanshan”) and its subsidiaries to sell standardised work uniforms for the period from 13 October 2022 to 31 December 2024. Details of the transaction were set out in the announcement of the Company dated 13 October 2022.

(b) Transactions with related parties

During the year, the Group entered into the following transactions with related parties:

| | 2025 RMB | 2024 RMB |
|--|----------------|-------------|
| Sale of uniform to: | | |
| – subsidiaries of a substantial shareholder | 741,552 | – |
| Rental expenses and management fee charged by: | | |
| – a substantial shareholder | – | 2,506,369 |
| Water and electricity expenses charged by: | | |
| – a substantial shareholder | – | 1,004,201 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

33. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Amount due from a substantial shareholder

As at 31 December 2024, the amount due from a substantial shareholder mainly represents a rental deposit paid to Ningbo Shanshan. Details of the transaction were disclosed in Note 33(b) to the consolidated financial statement and set out in the announcement of the Company dated 30 December 2022.

Amount was unsecured, interest-free and repayable upon the end of lease tenure in December 2024.

During the year ended 31 December 2025, the maximum outstanding amount was approximately RMB624,293 (2024: RMB624,293).

(d) Amount due to a substantial shareholder

On 30 September 2021, the Company entered into the Trademark Licensing Agreement (“Agreement”) with Shanshan Group. Pursuant to which Shanshan Group agreed to grant to the Group the exclusive license to use the Licensed Trademarks for its business operations, as well as the right to authorise third parties to use the Licensed Trademarks solely for the purpose of business operation of the Group. The Agreement has a term of four years commencing from 1 January 2022 to 31 December 2025.

As stated in the Agreement, the Company paid a deposit of RMB600,000 to Shanshan Group and repayable upon the end of Agreement without interest. The deposits was recognised in the “Deposits and other receivables” which are set out in Note 24 to the consolidated financial statements.

The deposits of RMB600,000 was transferred to other receivables upon its maturity in December 2025.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

33. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year is as follows:

| | 2025 RMB | 2024 RMB |
|---|------------------|------------------|
| Short-term benefits | 4,432,950 | 4,060,128 |
| Contributions to defined contribution retirement plan | 95,801 | 101,653 |
| | 4,528,751 | 4,161,781 |

The emoluments paid or payable to Directors and other members of key management are within the following band:

| | 2025 No. of individuals | 2024 No. of individuals |
|-----------------------------------|-------------------------------|-------------------------------|
| Nil to HK\$1,000,000 | | |
| – Directors | 11 | 9 |
| – Other members of key management | 5 | 5 |

34. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transactions

During the year, the Group entered into the following non-cash transactions:

- Certain additions to property, plant and equipment of RMB32,086,028 (2024: RMB26,049,938) have not been paid at the end of reporting period and were recorded as construction payables under other payables and accruals.
- The Group had non-cash additions to right-of-use assets and lease liabilities of RMB27,052,914 (2024: RMB22,758,831), in respect of the new lease agreements.
- The Group had endorsed bank acceptance bills issued by several banks in the PRC with a carrying amount of RMB13,906,651 (2024: RMB15,535,059) to certain suppliers for settlement of its trade payables.

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For the year ended 31 December 2025

34. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

| | Interest-bearing bank borrowings RMB (Note 29) | Lease liabilities RMB (Note 30) | Dividend payable RMB |
|---|--|---------------------------------------|-------------------------|
| As at 1 January 2024 | 135,000,000 | 10,920,118 | – |
| Changes from financing cash inflows/(outflow): | | | |
| Proceeds from bank borrowings | 145,000,000 | – | – |
| Repayment of bank borrowings | (135,000,000) | – | – |
| Interest paid | (5,280,960) | – | – |
| Repayment of principal portion of the lease liabilities | – | (16,044,294) | – |
| Repayment of interest portion of the lease liabilities | – | (452,734) | – |
| Dividend paid | – | – | (10,672,000) |
| Other changes: | | | |
| Dividend declared and approved (Note 15) | – | – | 10,672,000 |
| Interest expense (Note 9) | 5,280,960 | 657,084 | – |
| Effect of lease modification | – | (154,572) | – |
| New leases | – | 22,758,831 | – |
| As at 31 December 2024 and 1 January 2025 | 145,000,000 | 17,684,433 | – |
| Changes from financing cash inflows/(outflow): | | | |
| Proceeds from bank borrowings | 247,696,455 | – | – |
| Repayment of bank borrowings | (170,000,000) | – | – |
| Interest paid | (6,197,321) | – | – |
| Repayment of principal portion of the lease liabilities | – | (22,021,322) | – |
| Repayment of interest portion of the lease liabilities | – | (481,911) | – |
| Dividend paid | – | – | (10,672,000) |
| Other changes: | | | |
| Dividend declared and approved (Note 15) | – | – | 10,672,000 |
| Interest expense (Note 9) | 6,197,321 | 740,581 | – |
| Effect of lease modification | – | (780,641) | – |
| New leases | – | 27,052,914 | – |
| As at 31 December 2025 | 222,696,455 | 22,194,054 | – |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

35. COMMITMENTS

(a) Operating lease commitments

The operating lease commitments are all related to short-term leases which are exempted from recognising as right-of-use assets and lease liabilities under HKFRS 16.

The operating leases of certain retail stores include additional rentals, which are based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and condition as stipulated in the respective agreements. As the future revenue of these retail stores could not be accurately determined as at end of year, the relevant contingent rentals have not been included in the following operating lease commitments.

Total future minimum lease payments under non-cancellable operating leases are due as follows:

| | 2025 RMB | 2024 RMB |
|-------------------------|------------------|-------------|
| Not later than one year | 5,850,182 | 7,318,232 |

(b) Capital commitments

In addition to those capital commitment disclosed elsewhere in the consolidated financial statements, the Group had capital commitments as follows:

| | 2025 RMB | 2024 RMB |
|--|-------------------|-------------|
| Contracted, but not provided for: | | |
| – Acquisition of property, plant and equipment | 1,486,540 | 6,119,751 |
| – Construction of the Project (Note 16) | 55,832,811 | 66,837,124 |
| – Extend the licensing period of certain trademarks (Note 18) | 6,600,000 | – |
| | 63,919,351 | 72,956,875 |

36. CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group had no significant contingent liabilities.

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37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the interest-bearing bank borrowings (Note 29), cash and cash equivalents (Note 25) and equity of the Company, comprising share capital and reserves. The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group will balance its overall capital structure through the issue of new debts and the payment of dividends.

The gearing ratio at the end of reporting period was as follows:

| | 2025 RMB | 2024 RMB |
|---------------------------|----------------------|---------------|
| Debts | 222,696,455 | 145,000,000 |
| Cash and cash equivalents | (110,065,336) | (106,457,075) |
| Net debts | 112,631,119 | 38,542,925 |
| Equity | 273,500,881 | 276,276,449 |
| Gearing ratio | 41.18% | 13.95% |

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38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

| | 2025 RMB | 2024 RMB |
|---|--------------------|-------------|
| Financial asset at FVTOCI: | | |
| Bills receivables | 144,164 | 100,000 |
| Financial assets at FVTPL | 487,967 | 645,910 |
| Financial assets at amortised cost: | | |
| Trade receivables | 176,316,039 | 239,725,926 |
| Deposits and other receivables | 9,064,050 | 10,525,930 |
| Amount due from a substantial shareholder | – | 624,293 |
| Pledged deposits | 2,578,026 | 10,672,445 |
| Cash and cash equivalents | 110,065,336 | 106,457,075 |
| | 298,023,451 | 368,005,669 |
| Financial liabilities at amortised cost: | | |
| Trade and bills payables | 138,899,147 | 216,080,405 |
| Other payables and accruals | 113,708,326 | 112,012,560 |
| Interest-bearing bank borrowings | 222,696,455 | 145,000,000 |
| Amount due to a joint venture | 875,000 | 875,000 |
| Amount due to a substantial shareholder | 1,415,094 | 2,835,849 |
| | 477,594,022 | 476,803,814 |
| Lease liabilities | 22,194,054 | 17,684,433 |

Notes to the Consolidated Financial Statements

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39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk, price risk and fair value risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade receivables (Note 23), deposits and other receivables (Note 24), pledged deposits (Note 25) and cash and cash equivalents (Note 25). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs which is calculated using a provision matrix.

In order to minimise the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivables at the end of reporting period to ensure that adequate impairment losses are estimated and made for irrecoverable amounts.

Notes to the Consolidated Financial Statements

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

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:

| 31 December 2025 | Expected loss rate % | Gross carrying amount RMB | Loss allowance RMB | Net amount RMB |
|----------------------------|-------------------------|------------------------------|-----------------------|--------------------|
| Not yet due | 6.59% | 177,786,468 | 11,707,407 | 166,079,061 |
| Less than 1 month past due | 0.24% | 1,120,087 | 2,663 | 1,117,424 |
| 1 to 3 months past due | 25.97% | 2,424,077 | 629,642 | 1,794,435 |
| Over 3 months past due | 57.80% | 17,359,381 | 10,034,262 | 7,325,119 |
| | | <u>198,690,013</u> | <u>22,373,974</u> | <u>176,316,039</u> |

| 31 December 2024 | Expected loss rate % | Gross carrying amount RMB | Loss allowance RMB | Net amount RMB |
|----------------------------|-------------------------|------------------------------|-----------------------|--------------------|
| Not past due | 2.20% | 230,922,024 | 5,078,494 | 225,843,530 |
| Less than 1 month past due | 0.73% | 3,496,619 | 25,408 | 3,471,211 |
| 1 to 3 months past due | 35.13% | 4,691,378 | 1,647,915 | 3,043,463 |
| Over 3 months past due | 75.91% | 30,588,144 | 23,220,422 | 7,367,722 |
| | | <u>269,698,165</u> | <u>29,972,239</u> | <u>239,725,926</u> |

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and forward-looking information.

Trade receivables that were past due related to a number of independent customers that had a good track record with the Group. Based on available information, management believed that there had been no significant change in credit quality of these customers and their balances were still considered to be recoverable.

Notes to the Consolidated Financial Statements

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Deposits and other receivables

The Group measures loss allowance for deposits and other receivables based on 12-month ECLs. For the year ended 31 December 2025, impairment loss on deposits and other receivables of RMB180,417 (2024: RMB326,826) was recognised in the profit or loss with reference to the corresponding debtors' historical settlement records and the management's experience. The Group does not hold any collateral over these balances.

Cash and cash equivalents and pledged deposits

Most of the Group's cash and cash equivalents and pledged deposits are held in major reputable financial institutions in the PRC in which management believes are of high credit quality.

Concentration risk

The Group's concentration of credit risk on the trade receivables as at 31 December 2025 and 2024 included five major counterparties accounting for 40% and 47% of the trade receivables respectively. The Group has closely monitored the recoverability of the receivables from these counterparties and taken effective measures to ensure timely collection of outstanding balances. The Group has not obtained collateral from customers but receives deposits from certain customers.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitored the business performance of these customers in the PRC.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at end of reporting period of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Carrying amount RMB | Total contractual undiscounted cash flow RMB | Within 1 year or on demand RMB | More than 1 year but less than 2 years RMB | More than 2 years but less than 5 years RMB |
|---|------------------------|---|-----------------------------------|---|--|
| 31 December 2025 | | | | | |
| Trade and bills payables | 138,899,147 | 138,899,147 | 138,899,147 | - | - |
| Other payables and accruals | 113,708,326 | 113,708,326 | 101,738,326 | 11,970,000 | - |
| Interest-bearing bank borrowings | 222,696,455 | 230,580,543 | 172,894,161 | 10,538,225 | 47,148,157 |
| Amount due to a joint venture | 875,000 | 875,000 | 875,000 | - | - |
| Amount due to a substantial shareholder | 1,415,094 | 1,415,094 | 1,415,094 | - | - |
| Lease liabilities | 22,194,054 | 22,672,698 | 16,485,911 | 5,241,545 | 945,242 |
| | 499,788,076 | 508,150,808 | 432,307,639 | 27,749,770 | 48,093,399 |

| | Carrying amount RMB | Total contractual undiscounted cash flow RMB | Within 1 year or on demand RMB | More than 1 year but less than 2 years RMB | More than 2 years but less than 5 years RMB |
|---|------------------------|---|-----------------------------------|---|--|
| 31 December 2024 | | | | | |
| Trade and bills payables | 216,080,405 | 216,080,405 | 216,080,405 | - | - |
| Other payables and accruals | 112,012,560 | 112,012,560 | 100,552,560 | 11,460,000 | - |
| Interest-bearing bank borrowings | 145,000,000 | 148,410,505 | 148,410,505 | - | - |
| Amount due to a joint venture | 875,000 | 875,000 | 875,000 | - | - |
| Amount due to a substantial shareholder | 2,835,849 | 2,835,849 | 2,835,849 | - | - |
| Lease liabilities | 17,684,433 | 18,320,339 | 11,954,261 | 5,335,071 | 1,031,007 |
| | 494,488,247 | 498,534,658 | 480,708,580 | 16,795,071 | 1,031,007 |

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For the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of future cash flows or fair value of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing the fair value interest rate risk.

Fair value interest rate risk

As at 31 December 2025 and 2024, the Group's fair value interest rate risk primarily related to pledged deposits (Note 25) and bank borrowings at fixed interest rate (Note 29) and lease liabilities (Note 30) at fixed IBR. The Group currently does not have a fair value hedging policy. The Directors consider that the exposure of fair value interest rate risk arising from fixed interest rate instruments is insignificant.

Cash flow interest rate risk

Other than cash and cash equivalents (Note 25) and bank borrowings at variable interest rate (Note 29), the Group does not have any other significant financial assets and liabilities bearing variable interest.

Sensitivity analysis

At 31 December 2025, it is estimated that a general increase of 50 basis points (2024: 50 basis points) in interest rates, with all other variables held constant, would increase the Group's profit after tax and equity for the year (through the impact on the Group's cash and cash equivalents net with bank borrowing at variable interest rate) by approximately RMB215,133 (2024: increase the profit after tax and equity for the year by RMB399,214).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity analysis (Continued)

For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's results for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as presented above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis points increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for the year and are considered to be effective.

(d) Currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Price risk

The Group is exposed to equity prices changes arising from equity investments of trading securities, which measured at fair value through profit or loss.

The Group's equity investments are listed on Shenzhen Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of the securities compared to that of the stock market index and other industry indicators, as well as the Group's liquidity needs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Price risk (Continued)

Sensitivity analysis

The following table demonstrates the sensitivity as if the quoted prices of the investments in listed equity investments classified as financial assets at fair value through profit or loss had increased/ (decreased) by 10% with all other variables held constant, after any impact of tax for each reporting date.

| | 2025 RMB | 2024 RMB |
|--|---------------|-------------|
| Effect on profit after tax and equity for the year and accumulated profits | 36,598 | 48,443 |

(f) Fair value risk

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis. The Directors considered that, due to their short term nature, the carrying amounts of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value risk (Continued)

The following table provides an analysis of financial instruments carried at fair value by level of Fair Value Hierarchy:

| | Level 1 RMB | Level 2 RMB | Level 3 RMB | Total RMB |
|---|----------------|----------------|----------------|--------------|
| 31 December 2025 | | | | |
| Financial asset at FVTOCI | | | | |
| – Bills receivables | – | 144,164 | – | 144,164 |
| Financial assets at FVTPL | | | | |
| – Financial assets at fair value through profit or loss | 487,967 | – | – | 487,967 |
| 31 December 2024 | | | | |
| Financial asset at FVTOCI | | | | |
| – Bill receivables | – | 100,000 | – | 100,000 |
| Financial assets at FVTPL | | | | |
| – Financial assets at fair value through profit or loss | 645,910 | – | – | 645,910 |

The fair value of the bills receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the years ended 31 December 2025 and 2024, there was no transfer between level 1 and level 2 Fair Value Hierarchy or transfer into or out of level 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2025 RMB | 2024 RMB |
|---|-------|-------------|-------------|
| Non-current assets | | | |
| Investment in subsidiaries | | 17,000,010 | 17,500,010 |
| Property, plant and equipment | | 141,797,136 | 67,302,427 |
| Right-of-use assets | | 62,337,326 | 59,209,760 |
| Intangible assets | | 3,162,932 | 4,888,171 |
| Prepayments, deposits and other receivables | | 13,426,631 | 1,675,343 |
| Pledged deposits | | – | 2,172,445 |
| Deferred tax assets | | 21,406,990 | 20,172,018 |
| Total non-current assets | | 259,131,025 | 172,920,174 |
| Current assets | | | |
| Inventories | | 213,582,091 | 268,918,061 |
| Trade and bills receivables | | 168,181,089 | 232,979,194 |
| Prepayments, deposits and other receivables | | 27,345,272 | 17,840,411 |
| Financial assets at fair value through profit or loss | | 487,967 | 645,910 |
| Amounts due from a substantial shareholder | | – | 624,293 |
| Amounts due from subsidiaries | 41(a) | 11,666,421 | 20,723,711 |
| Pledged deposits | | 2,578,026 | 8,500,000 |
| Cash and cash equivalents | | 103,787,886 | 97,286,886 |
| Total current assets | | 527,628,752 | 647,518,466 |
| Current liabilities | | | |
| Trade and bills payables | | 126,593,940 | 210,102,550 |
| Contract liabilities | | 10,171,453 | 29,158,599 |
| Other payables and accruals | | 107,019,311 | 108,225,653 |
| Interest-bearing bank borrowings | | 170,000,000 | 145,000,000 |
| Amounts due to subsidiaries | 41(a) | 76,363,805 | 56,483,654 |
| Amount due to a substantial shareholder | | 1,415,094 | 2,835,849 |
| Income tax payable | | 120,161 | 5,840,366 |
| Lease liabilities | | 16,083,951 | 11,474,289 |
| Total current liabilities | | 507,767,715 | 569,120,960 |
| Net current assets | | 19,861,037 | 78,397,506 |
| Total assets less current liabilities | | 278,992,062 | 251,317,680 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

| | Notes | 2025 RMB | 2024 RMB |
|----------------------------------|-------|--------------------|--------------------|
| Non-current liabilities | | | |
| Other payables and accruals | | 11,970,000 | 10,260,000 |
| Interest-bearing bank borrowings | | 52,696,455 | – |
| Lease liabilities | | 6,110,103 | 6,210,144 |
| Total non-current liabilities | | 70,776,558 | 16,470,144 |
| NET ASSETS | | 208,215,504 | 234,847,536 |
| EQUITY | | | |
| Share capital | | 133,400,000 | 133,400,000 |
| Reserves | 41(b) | 74,815,504 | 101,447,536 |
| TOTAL EQUITY | | 208,215,504 | 234,847,536 |

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

41. SUMMARIES OF FINANCIAL INFORMATION OF THE COMPANY

(a) Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

(b) Reserves of the Company

A summary of the Company's reserves is as follows:

| | Capital reserve RMB | Statutory surplus reserve RMB | Proposed dividend RMB | Accumulated profits/ (losses) RMB | Total RMB |
|---|---------------------------|--|-----------------------------|--|--------------------|
| As at 1 January 2024 | 73,109,956 | 8,480,611 | 10,672,000 | (6,275,570) | 85,986,997 |
| Profit and total comprehensive income for the year | - | - | - | 26,132,539 | 26,132,539 |
| 2023 final dividend paid (Note 15) | - | - | (10,672,000) | - | (10,672,000) |
| 2024 proposed final dividend | - | - | 10,672,000 | (10,672,000) | - |
| Transfer to statutory surplus reserve | - | 3,175,161 | - | (3,175,161) | - |
| As at 31 December 2024 and 1 January 2025 | 73,109,956 | 11,655,772 | 10,672,000 | 6,009,808 | 101,447,536 |
| Loss and total comprehensive income for the year | - | - | - | (15,960,032) | (15,960,032) |
| 2024 final dividend paid (Note 15) | - | - | (10,672,000) | - | (10,672,000) |
| Transfer to statutory surplus reserve | - | 186,175 | - | (186,175) | - |
| As at 31 December 2025 | 73,109,956 | 11,841,947 | - | (10,136,399) | 74,815,504 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

42. CREDIT FACILITIES

As at 31 December 2025, the Group has obtained banking facilities, including bank borrowings of RMB315,000,000, in which RMB222,696,455 has been utilised by the Group (Note 29). The Group has unutilised banking facilities of RMB92,303,545.

43. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events from the end of the reporting period and up to the date of this report.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 March 2026.