

# 中寶新材集團有限公司

CHINA TREASURES NEW MATERIALS GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2439



## 2025

ANNUAL REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Zhang Yuqiu (*Chair*)  
Mr. Shan Yuzhu (*Chief Executive Officer*)  
Mr. Li Xiquan  
Mr. Li Peng

### Independent Non-Executive Directors

Dr. Lai King Yin  
Dr. Song Xiaofeng  
Mr. Leung Tsz Wing

## AUDIT COMMITTEE

Mr. Leung Tsz Wing (*Chairman*)  
Dr. Lai King Yin  
Dr. Song Xiaofeng

## REMUNERATION COMMITTEE

Dr. Song Xiaofeng (*Chairman*)  
Mr. Shan Yuzhu  
Dr. Lai King Yin

## NOMINATION COMMITTEE

Dr. Lai King Yin (*Chairman*)  
Dr. Song Xiaofeng  
Ms. Zhang Yuqiu (*Appointed on 30 June 2025*)  
Mr. Li Xiquan (*Ceased on 30 June 2025*)

## ESG COMMITTEE

Mr. Leung Tsz Wing (*Chairman*)  
Mr. Shan Yuzhu  
Mr. Li Peng  
Dr. Lai King Yin

## AUTHORISED REPRESENTATIVES

Mr. Shan Yuzhu  
Ms. Wong Po Lam, *HKICPA*

## COMPANY SECRETARY

Ms. Wong Po Lam, *HKICPA*

## AUDITOR

Forvis Mazars CPA Limited  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
42nd Floor, Central Plaza  
18 Harbour Road  
Wan Chai  
Hong Kong

## CORPORATE INFORMATION (CONTINUED)

### REGISTERED OFFICE

89 Nexus Way  
Camana Bay  
Grand Cayman  
KY1-9009  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No. 3, Jing'Er Road  
Kalun Industrial South Region  
Jiutai Economics Development Zone  
Changchun City  
Jilin Province  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F., C C Wu Building  
302-308 Hennessy Road  
Wan Chai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited  
89 Nexus Way  
Camana Bay  
Grand Cayman  
KY1-9009  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### LEGAL ADVISER

*As to Cayman Islands laws:*  
Ogier  
11th Floor  
Central Tower  
28 Queen's Road Central  
Hong Kong

### PRINCIPAL BANKS

Changchun Nanguan Huimin Village Bank Co., Ltd  
Industrial Bank Co., Ltd Changchun Branch  
Bank of Communications Co., Ltd Jilin Province  
Branch  
China Everbright Bank Co., Ltd Changchun Branch

### STOCK CODE

2439

### WEBSITE

[www.jl-ks.cn](http://www.jl-ks.cn)

# CHAIR'S STATEMENT

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**"), hereby present the annual report of the Company (the "**Annual Report**") for the year ended 31 December 2025 (the "**Year**" or "**FY2025**") to the shareholders (the "**Shareholders**") after the listing (the "**Listing**") of the Company's shares (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2023 (the "**Listing Date**").

Our Group continues to focus on the development and manufacturing of biodegradable plastic product bags in Northeast China, with our production base located in Changchun, Jilin province, the People's Republic of China (the "**PRC**", for the purpose of the Annual Report only, excluding Hong Kong, Macau and Taiwan). Given the growing global emphasis on environmental conservation, the promotion of sustainable development initiatives, and the PRC Government's significant efforts to mitigate plastic pollution, our Group has remained committed to our core business strategies of development and manufacturing of biodegradable plastic products to address the challenges of White Pollution in the PRC. The growth of the biodegradable plastic products market is closely linked to the environmental protection policies and regulations established by the PRC Government, which aim to restrict and prohibit the use of non-biodegradable plastics and manage plastic pollution (the "**Policies and Regulations**").

FY2025 was a challenging year for the Group, marked by a significant shift in consumer behavior and market dynamics. The Group's revenue decreased to approximately RMB253.4 million (*For the year ended 31 December 2024 (the "**Preceding Year**" or "**FY2024**": approximately RMB407.5 million)*), primarily due to weakened domestic consumer demand, a shift from in-store to online purchasing, and increased usage of substitute products. This resulted in reduced orders from existing customers, particularly supermarket chains, and notably impacted sales of biodegradable shopping bags and produce bag rolls. Profit for the year declined to approximately RMB29.5 million (*FY2024: approximately RMB112.4 million*), reflecting the combined effects of lower gross profit, reduced other income and increased administrative and operating expenses.

Details of the Group's performance and achievements, financial analysis for FY2025 are set out in the sections headed "Chief Executive Officer's Review" and "Management Discussion and Analysis" of this Annual Report.

Despite these challenges, our Group made substantial progress in its strategic initiatives. In FY2025, we continued to optimise our operations by centralizing production at our primary base in Changchun, Jilin province, PRC. Following the cessation of operations and termination of leases at the Dongguan and Anji factories at the end of FY2024, all machinery was relocated to our primary production base in Changchun. This strategic consolidation has enabled us to achieve greater cost efficiency, supply chain optimisation, and improved capacity utilisation.

## CHAIR'S STATEMENT (CONTINUED)

In January 2025, our Group completed the acquisition of a land located in the Changchun Jiutai Economic Development Zone\* (長春市九台經濟開發區), covering a total site area of 31,615 square meters (the “**Land**”). Subsequently, in June 2025, our Group entered into a construction contract (the “**Construction Contract**”) with a contractor to undertake the development of a production base with a gross floor area of approximately 80,298 square meters on the Land (the “**Construction**”). As of the date of this Annual Report, the Construction work has been completed and have passed all requisite acceptance inspections. The trial production and the application for the real estate ownership certificate\* (不動產權證) are currently in progress.

The additional production base in Changchun will mark a significant milestone for our Group. Moving forward, Changchun will serve as the cornerstone of the Group's production strategy, ensuring scalability, cost competitiveness, and resilience in a dynamic market environment.

The biodegradable plastics market in the PRC remains closely tied to government policies and regulations. The PRC Government's ongoing support for environmental protection industries and its commitment to prohibiting non-biodegradable plastic bags provide a favorable backdrop for our core business. We are confident that, despite the current challenges, the Group is well positioned to capitalise on emerging opportunities and navigate the evolving market landscape.

On behalf of the Board, I would like to take this opportunity to thank our Shareholders and stakeholders for their continued support and our management team as well as employees for their resolute commitments and dedications in pursuing the Group's strategic priorities and long-term goals during the Year.

\* *English for identification purpose only*

**Zhang Yuqiu**  
*Chair of the Board*

Changchun, Jilin, the PRC, 31 March 2026

# CHIEF EXECUTIVE OFFICER'S REVIEW

It is my pleasure to report on the Group's business performance for FY2025.

Our Group was established in March 2014 primarily engaging in the development and manufacturing of non-biodegradable automobile plastic parts. In response to the Policies and Regulations, we, since 2015, had gradually diversified our business into the development and manufacturing of biodegradable plastic products while maintaining the operation for non-biodegradable automobile plastic parts which accounted for approximately 6.4% and approximately 6.5% of the Group's total revenue during FY2025 and FY2024, respectively.

Our biodegradable products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. During the Year, all our biodegradable products were sold to customers in the PRC, mainly in the Northeast China, which accounted for approximately 90.3% of the Group's revenue in biodegradable plastic products (*FY2024: approximately 80.4%*), whilst the sales to other cities in the PRC accounted for the remaining approximately 9.7% (*FY2024: approximately 19.6%*).

The Group faced a challenging operating environment during FY2025, due to a subdued domestic consumer demand, a shift in shopping habits from in-store to online purchasing and increased adoption of substitute products. These factors led to a decrease in orders from existing customers, particularly supermarket chains and resulted in a decline in revenue and profitability. Discussion on the Group's FY2025 financial results is set out in this section below.

Despite these headwinds, we remained steadfast in our commitment to sustainable development and innovation. A key milestone in FY2025 was the construction of our new production base in the Land. In June 2025, we entered into the Construction Contract to develop a production base with a gross floor area of approximately 80,298 square meters on the Land. As of the date of this Annual Report, the Construction work has been completed and have passed all requisite acceptance inspections. The trial production and the application for the real estate ownership certificate\* (不動產權證) are currently in progress. We believe that establishing the additional production base in Changchun will deliver multiple benefits, including (i) strategic consolidation and cost efficiency; (ii) market realignment to serve core customer base; (iii) enhance control and proven execution capability in Changchun; and (iv) resource optimisation.

We had contributed the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely, "GB/T 38082-2019", which was issued by The State Administration for Market Regulation of the PRC and The Standardization Administration of the PRC in October 2019. The "GB/T 38082-2019" has remained as the sole and only national standard in the PRC for biodegradable plastic shopping bags since then.

During the Year, we continued to devote resources to further strengthen our production capacity and deepen our cooperation with major research organizations, including the research and development ("**R&D**") of biodegradable plastic products through collaboration with The Changchun Institute of Applied Chemistry Chinese Academy of Science ("**CIAC**"), a third-party research institute, in which we owned the rights to the R&D results. Our ongoing R&D efforts have enabled us to improve product performance and cost-efficiency, thereby expanding the market potential for plastic products.

The Group also joined as members of those plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association and The Changchun Die & Mold Industry Association so as to embrace the changing market trends and bring new growth momentum to the Group's business development.

# CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

## PROSPECT

The development of the biodegradable plastic products market in the PRC remains driven by a series of supportive Policies and Regulations. The PRC Government remains firmly committed to promoting a clean and sustainable environment and continues to support industries focused on environmental protection and the development of eco-friendly products. Since 2021, the PRC Government has progressively implemented these policies across various provinces, particularly regarding the prohibition of non-biodegradable plastics.

In recent years, the PRC Government has successively issued a series of policies to support the development of biodegradable materials, such as the "Opinions on Further Strengthening the Control of Plastic Pollution\*" (關於進一步加強塑料污染治理的意見)" and "Catalogue of Plastic Products Prohibited or Restricted From Production, Sale and Use (Draft for comments)" (禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿)", which clearly stipulate and promote the application of biodegradable materials.

According to the articles published by The State Administration for Market Regulation of the PRC in July 2025 (the "**Articles**"), more than five years after the implementation of the national standard for biodegradable plastic shopping bags, combined with the enforcement of the national "Plastic Ban\*" (限塑令)", the annual usage of traditional plastic bags has decreased by approximately 20 billion units. This has significantly mitigated the "white pollution" problem caused by improper disposal of conventional plastics. Additionally, consumer awareness of biodegradable bags has increased by over 50%, with a corresponding rise in willingness to pay for such products. The use of biodegradable bags has become commonplace in shopping malls, supermarkets, and wet markets.

Furthermore, according to the Articles, China's biodegradable plastic shopping bag production capacity grew at an annual rate exceeding 20% from 2020 to 2024. In 2024, total market output reached nearly 500,000 tons, with a market value surpassing RMB10 billion. It is projected that by 2030, production capacity will reach 2 million tons, with market value exceeding RMB60 billion.

In view of (i) the increasing demand for biodegradable plastic products in compliance with government policies; (ii) favorable policies and initiatives promulgated by the PRC Government; and (iii) the Group's strengthened production capacity, technological innovation and industry-leading expertise, we remain confident in the prospects for our business. To stimulate revenue growth, the Group plans to introduce new product varieties and to broaden its sales channels by expanding both online and offline sales. The Group is well positioned to navigate the opportunities and challenges ahead.

Despite the challenges faced in FY2025, our resilient management team, leading industry position, and strategic investments have laid a solid foundation for future growth. Taking this opportunity, I would like to thank our management team, valued Shareholders and customers for their continued trust and support. I would also like to thank my fellow management team and staff for their excellent works and dedications to our strategic achievements throughout FY2025.

\* English for identification purpose only

**Shan Yuzhu**

*Director and Chief Executive Officer*

Changchun, Jilin, the PRC, 31 March 2026

# FINANCIAL HIGHLIGHTS

The table below sets forth the selected key financial ratios of the Group for FY2025 and FY2024 and as at the dates indicated:

	2025	2024
Net profit margin <sup>(1)</sup> (%)	<b>11.6</b>	27.6
Current ratio <sup>(2)</sup> (times)	<b>1.5</b>	4.5
Quick ratio <sup>(3)</sup> (times)	<b>1.3</b>	4.3
Gearing ratio <sup>(4)</sup> (%)	<b>45.2</b>	12.9
Return on total assets <sup>(5)</sup> (%)	<b>3.3</b>	16.3
Return on equity <sup>(6)</sup> (%)	<b>5.0</b>	20.1
Interest coverage ratio <sup>(7)</sup> (times)	<b>5.1</b>	41.1

<sup>(1)</sup> Net profit margin equals to net profit for the year divided by total revenue for the year.

<sup>(2)</sup> Current ratio equals to total current assets divided by total current liabilities as at the year.

<sup>(3)</sup> Quick ratio equals to total current assets less inventories divided by total current liabilities as at the year-end.

<sup>(4)</sup> Gearing ratio equals to total debts divided by total equity as at the year-end. Total debts include interest-bearing borrowings and lease liabilities.

<sup>(5)</sup> Return on total assets equals to net profit for the year divided by the closing balance of total assets as at the year-end.

<sup>(6)</sup> Return on equity equals to net profit for the year divided by the closing balance of total equity as at the year-end.

<sup>(7)</sup> Interest coverage ratio equals to the profit before finance costs (before capitalisation) and income tax expenses divided by the finance costs (before capitalisation) for the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For FY2025, the Group's revenue recorded a decrease of approximately RMB154.1 million or 37.8% to approximately RMB253.4 million, as compared with approximately RMB407.5 million recorded for FY2024. This decline was primarily attributable to weakened domestic consumer demand during FY2025, driven by a shift in shopping habits from in-store to online purchasing and increased adoption of substitute products. Consequently, there was a reduction in orders from existing customers, particularly supermarket chains, notably affecting sales of biodegradable shopping bags and biodegradable produce bag rolls.

### Cost of Sales

During the Year, the Group's cost of sales amounted to approximately RMB155.2 million, representing a decrease of approximately RMB90.3 million or 36.8%, as compared with approximately RMB245.5 million for the Preceding Year. This decrease was primarily due to the decrease in production costs and raw material costs in line with the decreased revenue during the Year.

### Gross Profit and Gross Profit Margin

During the Year, as a result of decrease in revenue, the Group recorded gross profit amounted to approximately RMB98.2 million, versus approximately RMB162.0 million recorded for the Preceding Year, representing a decrease of approximately RMB63.8 million or 39.4%. The gross profit margin for the Year held steady at approximately 38.8% (*FY2024: approximately 39.8%*).

### Other Income

During the Year, the Group's other income amounted to approximately RMB2.7 million, as compared with approximately RMB20.3 million recorded for the Preceding Year, representing a decrease of approximately RMB17.6 million or 86.7%. Such decrease was mainly attributable to (i) the absence in FY2025 of a one-off lease payment refund recognised for FY2024, which amounted to RMB7.9 million, arising from the early terminated lease agreement of Huizhou factory; (ii) the decrease in government grant, which amounted to approximately RMB1.2 million for the Year (*FY2024: approximately RMB9.8 million*), mainly due to the absence in FY2025 of a one-off government grant recognised for FY2024 in connection with the Company's successful listing on the Stock Exchange; and (iii) the absence in FY2025 of gain on early termination of leases (*FY2024: approximately RMB1.8 million*).

### Selling and Distribution Expenses

The Group's selling and distribution expenses for FY2025 amounted to approximately RMB3.6 million, representing a decrease of approximately RMB1.8 million or 33.3%, as compared with approximately RMB5.4 million recorded for FY2024. Such decrease was mainly due to lower logistics service fee and staff costs incurred in line with decrease in revenue during the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Administrative and Other Operating Expenses

During the Year, the Group's administrative and other operating expenses increased to approximately RMB60.9 million from approximately RMB41.8 million recorded for the Preceding Year. Such increase of approximately RMB19.1 million or 45.7% was primarily attributed to the combined impacts of the following factors: (i) the increase in the R&D expenses by approximately RMB9.5 million, mainly for new R&D projects in collaboration with CIAC; and (ii) the increase in the loss on disposal of property, plant and equipment, net, by approximately RMB4.6 million.

### Finance Costs

During the Year, the Group's finance costs amounted to approximately RMB1.0 million, as compared with the amount of approximately RMB3.3 million for the Preceding Year, representing a decrease of approximately RMB2.3 million or 69.7%. Such decrease was mainly due to the capitalisation of interest on bank loans at approximately RMB7.6 million for the Year (*FY2024: Nil*). Excluding the effect of the capitalisation of interest, the finance costs would be amounted to approximately RMB8.6 million for FY2025, representing an increase of approximately RMB5.3 million or 160.6%, primarily due to higher balance of interest-bearing borrowings during the Year.

### Taxation

The Group's income tax expenses decreased from approximately RMB19.4 million for the Preceding Year to approximately RMB6.0 million for the Year, representing a decrease of approximately RMB13.4 million or 69.1%, which was mainly attributable to the decrease in profit before tax, reflecting the Group's business performance during the Year.

### Profit for the Year

The Group recorded a profit for the Year of approximately RMB29.5 million, as compared to the profit for the Preceding Year of approximately RMB112.4 million. The decrease in profit of approximately RMB82.9 million or 73.8% for the Year was mainly due to (i) the decrease in gross profit derived from the decrease in revenue; (ii) the decrease in other income; and (iii) the increase in administrative and other operating expenses, as analysed above.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Property, Plant and Equipment

The property, plant and equipment of the Group significantly increased by approximately RMB592.8 million or 489.1% to approximately RMB714.0 million as at 31 December 2025, as compared with approximately RMB121.2 million as at 31 December 2024, which was mainly due to additions on construction in progress regarding to the new production base in Changchun, Jilin Province, the PRC of approximately RMB609.5 million; partially offset by the disposal and depreciation of property, plant and equipment of approximately RMB23.3 million and RMB13.2 million, respectively.

### Right-of-use Assets

The right-of-use assets of the Group significant increased by approximately RMB9.6 million or 960% to approximately RMB10.6 million as at 31 December 2025, as compared with approximately RMB1.0 million as at 31 December 2024. Such increase was due to the acquisition of the Land completed in January 2025.

### Inventories

As at 31 December 2025, the inventories of the Group amounted to approximately RMB17.3 million, as compared with the balance of approximately RMB22.2 million as at 31 December 2024, represented a decrease of approximately RMB4.9 million or 22.1%. The decrease in balance was primarily due to the decrease in the raw materials by approximately RMB4.4 million, with some materials utilised for new R&D projects.

### Trade and Other Receivables

As at 31 December 2025, the trade and other receivables of the Group amounted to approximately RMB121.9 million, as compared with approximately RMB123.3 million recorded as at 31 December 2024. Such decrease of approximately RMB1.4 million or 1.1% was primarily attributable to the combined effects of (i) decrease in balance of trade receivables by approximately RMB58.5 million, driven by declined revenue during the Year; and (ii) increase in balance of value-added tax and other tax recoverable by approximately RMB50.0 million due to the increase in input value-added tax arising from significant capital expenditure incurred during the Year.

### Trade and Other Payables

As at 31 December 2025, the trade and other payables of the Group amounted to approximately RMB30.2 million, as compared with approximately RMB54.2 million as at 31 December 2024. Such decrease of approximately RMB24.0 million or 44.3% was mainly due to the combined effects of (i) decrease in trade payables by approximately RMB31.3 million due to decrease in procurement during the Year; (ii) increase in accruals and other payables by approximately RMB4.5 million due to the increase in other payables from purchase of property, plant and equipment to approximately RMB8.1 million (2024: approximately RMB1.7 million), partially offset by the decrease in other accrued expenses; and (iii) increase in amount due to a director by approximately RMB4.4 million for operating purpose. This amount is unsecured, interest-free and repayable on demand.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Liquidity and Financial Resources and Capital Structure

The Group exercised high level of prudence through stringent review of liquidity, risk exposure and market conditions and reacted swiftly to identify and mitigate risks.

As at 31 December 2025, the Group had maintained adequate liquidity with bank balances and cash in a total of approximately RMB22.2 million as compared with approximately RMB422.7 million as at 31 December 2024.

During FY2025, the Group financed its operations and the Construction with borrowings from banks and financial institutions and internal cash flows. As at 31 December 2025, the Group had interest-bearing borrowings of approximately RMB266.6 million, against approximately RMB72.0 million as at 31 December 2024.

The Group's gearing ratio as at 31 December 2025 was approximately 45.2%, compared to approximately 12.9% as at 31 December 2024. The gearing ratio equals to total debts divided by total equity, whereby total debts include interest-bearing borrowings and lease liabilities.

## Treasury Policies

The Group implemented prudent treasury policies to maintain strong flexibility and capability to fund its business operations and manage unexpected contingencies. During the Year, the management performed credit assessments and evaluation of financial status of its customers to mitigate the Group's credit risk exposure while closely monitored the Group's liquidity position to ensure availability of sufficient financial resources to meet with the Group's funding requirements and commitments.

## Exchange Rate Exposure

The majority of the Group's transactions, assets and liabilities were denominated in RMB. Since the exchange rate risk was not significant, the Group did not commit to any financial instruments to hedge against its foreign exchange exposure during the Year. The Directors and senior management closely monitor the foreign exchange exposure of the Group and will consider applicable financial derivatives as and when necessary.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Charge on Group Assets

As at 31 December 2025, the Group's interest-bearing borrowings and lease liabilities were secured by charges over the following assets of the Group:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Buildings	17,509	19,035
Leasehold Land	10,520	768
Patents	–	73
	<b>28,029</b>	19,876

### Contingent Liabilities

As at 31 December 2025, the Group had no material contingent liabilities (2024: Nil).

### Commitments

As at 31 December 2025, the Group had capital expenditure commitments of approximately RMB13.2 million (2024: approximately RMB10.0 million), details of which are set out in note 30 to the consolidated financial statements.

### Significant Investments, Material Acquisitions and Disposals

#### **Construction Contract of the Group's New Production Base Located at Changchun, Jilin Province, the PRC**

On 5 June 2025, Jilin Province Kaishun New Material Co., Ltd.\* ("Jilin Kaishun", 吉林省開順新材料有限公司), an indirect 99.01%-owned subsidiary of the Company, entered into a construction contract with Henan Naiwo Construction Engineering Co., Ltd.\* (河南耐沃建設工程有限公司) (the "Contractor"), pursuant to which the Contractor agreed to perform the construction project of the Group's production base with gross area of approximately 80,298 sq.m. at the total consideration of approximately RMB236.7 million (the "Consideration") located at Changchun Jiutai Economic Development Zone\* (長春市九台經濟開發區). The Construction has commenced in June 2025. Up to the date of this Annual Report, the Construction work has been completed and have passed all requisite acceptance inspections. The trial production and the application for the real estate ownership certificate\* (不動產權證) are currently in progress.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As the highest applicable percentage ratio (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) in respect of the transactions contemplated under the Construction Contract exceeds 25% but is less than 100%, the transactions contemplated thereunder constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders’ approval requirement under Chapter 14 of the Listing Rules. Details regarding the Construction Contract and the Construction are set out in the Company’s circular dated 26 June 2025.

Save for the aforementioned, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries or associated companies or joint ventures during the Year. There was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this Annual Report.

\* *English for identification purpose only*

### Final Dividend

The Directors do not recommend the payment of a final dividend for the Year (FY2024: Nil).

### Significant Events After the Reporting Period

The Group did not have any significant events after the reporting period and up to the date of this Annual Report.

### Human Resources

As at 31 December 2025, the Group had a total of 157 employees (As at 31 December 2024: 161) serving its business in the PRC, all our employees stationed in the PRC. Total staff cost including Directors’ emoluments and retirement benefit costs for FY2025 amounted to approximately RMB12.1 million, against approximately RMB14.4 million as recorded in the Preceding Year.

The Group remunerated its employees and Directors in line with the prevailing market practices after taking into account their experience, responsibilities and scope of works. The Group has established a share option scheme and share options will be granted to the employees and Directors in accordance with the Group’s remuneration policy with reference to the performance of the respective employees and Directors under the terms and conditions of the share option scheme.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FUTURE PLAN AND USE OF PROCEEDS

The Shares were listed on the Stock Exchange on the Listing Date, a total of 190,000,000 offer Shares were allotted and issued and the net proceeds raised therefrom amounted to approximately HK\$155.4 million (the “**Net Proceeds**”).

On 28 March 2025, the Board, having considered the reasons set out in “Reason for the Change in Use of Proceeds” under “Management Discussion and Analysis – Future Plan and Use of Proceeds” section in the 2024 annual report of the Company, resolved to change the use of unutilized net proceeds as at 31 December 2024 (the “**Unutilised Net Proceeds**”). The change in use of proceeds, the revised allocation of adjusted Net Proceeds and the amount of the Unutilised Net Proceeds, and the utilisation of Net Proceeds up to 31 December 2025 are set out in the table below:

Original use of proceeds as disclosed in the Prospectus	Original allocation of adjusted Net Proceeds <i>HK\$'000</i>	Changed use of proceeds	Revised allocation of adjusted Net Proceeds <i>HK\$'000</i>	Amount of utilised Net Proceeds as at 31 December 2025 <i>HK\$'000</i>	Amount of unutilised Net Proceeds as at 31 December 2025 <i>HK\$'000</i>	Expected timeline for the utilising unutilized Net Proceeds amount
Expand biodegradable plastic products production lines at the Changchun Production Base	51,743	same	51,743	51,743	–	Not applicable
Establish the Huizhou Production Base in the Southeast China	51,588	Establish the new production base in Changchun at the Land	51,588	51,588	–	Not applicable
Strengthen R&D capabilities and upgrade existing R&D equipment of the Group	6,682	same	6,682	6,682	–	Not applicable
Finance R&D projects of the Group	33,253	same	33,253	33,253	–	Not applicable
Strengthen IT system of the Group	4,662	same	4,662	4,662	–	Not applicable
General working capital	7,458	same	7,458	7,458	–	Not applicable
	155,386		155,386	155,386	–	

As at 31 December 2025, all of the Net Proceeds have been fully utilised.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Ms. Zhang Yuqiu (張玉秋) (“Ms. Zhang”)**, aged 50, is the co-founder of our Group. She is the Chair of our Board, executive Director, a member of the Nomination Committee and one of our Controlling Shareholders. Ms. Zhang is also the spouse of Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. She was appointed as an executive Director and the chair of our Board on 16 May 2022. She currently holds directorship in Jilin Kaishun, a subsidiary of our Company. Ms. Zhang is in charge of the operational function of our Group and assisting in the management of our Group’s R&D efforts.

Prior to co-founding our Group in March 2014, Ms. Zhang started her own business in the logistics services industry in December 2004 with Mr. Shan. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd.\* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd.\* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for construction, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunities on environmental materials business.

Ms. Zhang joined the part-time courses and obtained a diploma in economics and corporate management from Changchun University for Employees (長春市職工大學) in the PRC in July 2002.

**Mr. Shan Yuzhu (單玉柱) (“Mr. Shan”)**, aged 52, is an executive Director and the chief executive officer of our Group, one of the authorised representatives (the “**Authorised Representative**”) of our Company and one of our Controlling Shareholders. Mr. Shan is also the spouse of Ms. Zhang, our executive Director and one of our Controlling Shareholders. He was appointed as a Director on 1 February 2022 and was re-designated as an executive Director on 16 May 2022. Mr. Shan was also appointed as the chief executive officer of our Company on 16 May 2022. He holds directorship in each of the subsidiaries of our Group. Mr. Shan is responsible for overseeing overall strategic planning and general management and daily operation of our Group, and leading our Group’s R&D efforts. Mr. Shan is also a member of each of the Remuneration Committee and the ESG Committee.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Prior to co-founding our Group in March 2014, Mr. Shan served as a driver in the Chinese People's Armed Police Force Fire Brigade Changchun Branch (中國人民武裝員警部隊長春市消防支隊) from December 1991 to December 1993. From March 1995 to March 2000, Mr. Shan was attached to Changchun City Transportation Operation Company\* (長春市運輸經營總公司) and provided logistics services. Mr. Shan started his own business in the logistics services industry in December 2004 with Ms. Zhang. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd\* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd\* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan then established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for constructions, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunity on environmental materials business. In addition to his work experiences, Mr. Shan was also recognised in the biodegradable plastic industry. Mr. Shan was one of the drafters and participated in the drafting of the GB/T 38082-2019 standard in the PRC, a standard for biodegradable plastic shopping bags issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019.

Mr. Shan obtained a bachelor's degree in industrial and commercial management from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2006.

**Mr. Li Xiquan (李溪泉) ("Mr. Li")**, aged 53, is an executive Director and the vice president of the administrative department of our Group and one of the Pre-IPO Investors. Mr. Li joined our Group in May 2021 as the vice president of our administrative department, responsible for overseeing the daily administrative and human resources management of our Group. Mr. Li is also a director of Jilin Kaishun, a subsidiary of our Company. He was appointed as an executive Director on 16 May 2022.

Mr. Li has over 13 years of investment experience and almost 23 years of corporate management experience in different industries. From 1995 to 2001, Mr. Li worked at Shenyang Military Region Insurance Service Centre (瀋陽軍區保險服務中心). From April 2004 to April 2010, he worked as administrative manager of Heilongjiang Province Jingwei Cultural Communication Co., Ltd.\* (黑龍江省經緯文化傳播有限公司), which was principally engaged in advertisement design and information consultation. From April 2010 to December 2020, Mr. Li co-invested with his friend in the hotel business in Qitaihe City, Heilongjiang province, including Qitaihe City Taoshan District Xilong Hotel (七台河市桃山區禧龍賓館). From April 2010 to February 2021, Mr. Li worked as the administrative general manager of Jiamusi City Oriental Hospital Co., Ltd (佳木斯市東方醫院有限責任公司) and was principally responsible for general administrative management. In May 2021, Mr. Li invested in Jilin Kaishun and has since acted as the vice president of the administrative department of our Group.

Mr. Li obtained a bachelor's degree in economics and management from Heilongjiang University of Finance and Economics (黑龍江財經學院) in the PRC in June 2012.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Mr. Li Peng (李鵬)**, aged 31, is an executive Director and the vice president of our production department. Mr. Li Peng joined our Group after his graduation from university in July 2016. He was appointed as an executive Director on 16 May 2022. Mr. Li Peng is responsible for supervising the production operation of our Group. Mr. Li Peng is also a member of the ESG Committee.

Mr. Li Peng joined Jilin Kaishun in July 2016 as an assistant to the chair of the board of directors of Jilin Kaishun, who at the relevant time was Mr. Shan. Mr. Li Peng assisted Mr. Shan to manage Jilin Kaishun, including (i) assisted Mr. Shan in organizing discussions among different departments of our Group covering strategic development plans, tendering and sales, and R&D, production and quality control of our products; (ii) assisted Mr. Shan in formulating corporate governance measures and policies; and (iii) acted as the liaison between our Board and competent governmental authorities or external parties. In July 2018, after accumulated experiences by working closely with Mr. Shan, Mr. Li Peng was promoted to the vice president of our production department. Our Directors believe that although Mr. Li Peng is relatively inexperienced in the beginning, through his work experience with us, he is able to understand better of our operations, and provide our Board a more diversified view, especially with a younger mindset and ideas for initiatives of biodegradable products.

On 29 July 2022, Mr. Li Peng was appointed as the committee member of the expert committee of Jilin Province Packaging Technology Association\* (吉林省包裝技術協會), a provincial industry association governed by the Jilin Province Department of Civil Affairs\* (吉林省民政廳). Mr. Li Peng obtained a bachelor's degree in mechatronics technology from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2016.

### Independent Non-executive Directors

**Dr. Lai King Yin (賴景然) ("Dr. Lai")**, aged 43, was appointed as our independent non-executive Director on 9 March 2023. Dr. Lai is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Nomination Committee, and a member of each of the Audit Committee, Remuneration Committee and the ESG Committee.

Dr. Lai has more than 18 years of research experience and more than eight years corporate management experience. In June 2014, Dr. Lai co-founded Novus Life Sciences Limited (薪創生命科技有限公司) ("**Novus**"), a graduated company of the Incu-Bio Programme of Hong Kong Science and Technology Parks Corporation, which is primarily engaged in the R&D and production of biomaterials for use in orthopaedics. Since February 2015, Dr. Lai has served as an executive director of Novus responsible for management of daily operation of Novus. He also took a leading role in establishing a French branch office of Novus in France in 2017. Dr. Lai was trained as a researcher in the State Key Laboratory of Emerging Infectious Diseases, The University of Hong Kong ("**HKU**"), a laboratory established by the Ministry of Science and Technology of the PRC in recognition of the outstanding contribution made by HKU scientists in response to the Severe Acute Respiratory Syndrome outbreak during 2003/2004.

In October 2021, Dr. Lai joined HKU School of Professional and Continuing Education and has since served as a part-time lecturer for the bachelor's degree course in Pharmaceutical Science. In 2021, Dr. Lai founded Research Institute for Technology Application Limited, a company principally engaged in providing consulting service in technology application and business strategy, assisting enterprises in researching innovation and technology demands and upgrading and transformation strategies under the support of the Government of the HKSAR and the Angel Investment Foundation, and has since served as a director.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Dr. Lai obtained a Bachelor of Science degree with a major in animal and plant biotechnology, a Master of Medical Sciences, a Master of Philosophy degree in Microbiology and a Doctor of Philosophy degree in Surgery from HKU, in December 2005, December 2006, November 2010 and in November 2015, respectively. Dr. Lai was awarded the French Tech Ticket and granted a “Passport Talent” in 2017 by the French Government. From 2009 to 2018, Dr. Lai published more than ten research journal articles and was invited to write for a book chapter in biomedicine area. Dr. Lai is also an inventor of three patents relating to biotechnology application area.

**Dr. Song Xiaofeng (宋曉峰)**, aged 53, was appointed as our independent non-executive Director on 28 October 2024. Dr. Song is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

Dr. Song has approximately 17 years of research experience in polymer chemistry and physics (高分子化學與物理). After Dr. Song’s graduation from Changchun University of Technology (“CCUT”, 長春工業大學), he had been appointed as a materials science (材料學科) tutor in CCUT and has been appointed as a polymer chemistry and physics professor since September 2014. After obtaining a doctorate degree with a major in polymer chemistry and physics in Jilin University (“JLU”, 吉林大學), Dr. Song performed post-doctoral research work in Changchun Institute of Applied Chemistry Chinese Academy of Sciences (中國科學院長春應用化學研究所) from December 2008 to July 2011.

Dr. Song has long been engaged in research on design and synthesis of biodegradable polymers\* (生物可降解高分子的設計與合成), construction of biodegradable polymer multiphase materials and their applications in biomedicine, ecological environment and general engineering plastics\* (生物可降解高分子多相材料的構築及其在生物醫學、生態環境和通用工程塑膠中的應用), design and preparation of smart polymer materials\* (智能高分子材料的設計與製備), etc. Dr. Song has published over 50 research papers on international publications, such as Chemical Engineering Journal, Journal of Colloid and Interface, Composites Science and Technology, International Journal of Biological Macromolecule, etc. Dr. Song was authorised 15 patents in the PRC. In 2013, Dr. Song won Second Class Prize for Jilin Province Natural Science Academic Achievement Award\* (吉林省自然科學學術成果二等獎). He won Third Class Prize for Jilin Province Science and Technology Award\* (吉林省科學技術獎三等獎) in 2020.

Dr. Song obtained a bachelor degree with a major in textile engineering and textile trade (輕紡工程系紡織商貿) from CCUT in July 1995. He obtained a master’s degree with a major in textile engineering (紡織工程) from CCUT in April 2004. In June 2008, Dr. Song obtained a doctorate degree with a major in polymer chemistry and physics in JLU.

**Mr. Leung Tsz Wing (梁子榮)**, aged 42, was appointed as our independent non-executive Director on 21 October 2024. Mr. Leung is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Audit Committee and the chairman of the ESG Committee.

Mr. Leung is currently the managing partner of Avantfaire Investment Management Limited, a licensed corporation authorised by the Securities and Futures Commission conducting regulated activities of advising on securities and asset management in Hong Kong. Mr. Leung started his career at Deloitte Touche Tohmatsu and has over 20 years of experience in direct investment, private equity, fund raising and financial reporting.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Leung has held several positions in listed companies, include that served as an independent non-executive director of China Carbon Neutral Development Group Limited (*formerly known as Bisu Technology Group International Limited*) (stock code: 1372) from November 2018 to November 2021. He serves as an independent non-executive director of Modern Chinese Medicine Group Co., Ltd. (stock code: 1643) since December 2020. Additionally, from January 2022 to August 2024, he was an independent non-executive director of Wonderful Sky Financial Group Holdings Limited (stock code: 1260). All these companies are listed on the Main Board of the Stock Exchange.

Mr. Leung obtained a Bachelor of Business Administration (Accounting & Finance) from the Hong Kong University of Science and Technology. He is a member of the Hong Kong Institute of Certified Public Accountants since 2009 and a fellow member since 2016. He also holds Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA) and Certified ESG Analyst® (CESGA) designations.

## SENIOR MANAGEMENT

Our senior management team consists four executive Directors (Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng). For details of biographies of Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng, please refer to the paragraph headed “Directors – Executive Directors” above.

## COMPANY SECRETARY

**Ms. Wong Po Lam (黃寶琳) (“Ms. Wong”)**, aged 35, has been appointed as a company secretary of the Company (the “**Company Secretary**”) and the Authorised Representative on 1 July 2024. She has approximately 13 years of experience in financial reporting, auditing, financial management, corporate secretarial and regulatory compliance in listed companies in Hong Kong. Ms. Wong obtained a bachelor’s degree in Accounting from City University of Hong Kong, she is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

\* English for identification purpose only

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the “**Shareholders**”).

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules on the Stock Exchange during FY2025. The Board considered that the Company has complied with all applicable code provisions set out in the CG Code during FY2025.

## CORPORATE PURPOSE, VALUE AND STRATEGY

Our Group is committed to developing a positive and harmonious culture that laid down the foundation for building our purpose and value. Our purpose and value represent the framework for our business, which enables our employees to unleash their full potential to thrive for our success in terms of long term sustainable growth and as a leading player in the biodegradable plastic products market in the PRC.

### Our purpose

We aim to build a better environment by advocating the biodegradable plastic products for controlling the “White Pollution” in the PRC. We are striving for long term development of our business articulating with the megatrends of the biodegradable plastic products market in the PRC.

### Our value

We recognise the eminence of environmental protection and adhere to the policies of the PRC government in eliminating the impact of “White Pollution”. We uphold the environmental protection concepts and always look for collaborations which bring in better ideas and technologies. We are engaged in the markets and communities in which we operate and committed to delivering high quality products.

### Our strategy

We have a thorough and proactive strategic planning process to identify and assess the challenges as well as the business opportunities, which allows us to formulate pertinent action plans promptly with a view to generating sustainable long term value for our Shareholders.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions as the Listing Date. Based on specific enquiry made to the Directors, all of the Directors have confirmed that they had complied with the Model Code during FY2025.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## BOARD OF DIRECTORS

The functions and duties of the Board include but not limited to convening the general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed in accordance with the second amended and restated articles of association of the Company adopted on 9 March 2023 and effective upon the Listing (the "**Articles of Association**").

The composition of the Board during FY2025 and up to the date of this Annual Report is set out as follows:

### Executive Directors

Ms. Zhang Yuqiu (*Chair*)<sup>1</sup>  
Mr. Shan Yuzhu (*Chief Executive Officer*)<sup>1</sup>  
Mr. Li Xiquan  
Mr. Li Peng

### Independent Non-Executive Directors

Dr. Lai King Yin  
Dr. Song Xiaofeng  
Mr. Leung Tsz Wing

*Note:*

1. Ms. Zhang and Mr. Shan are spouses.

The biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 20 of this Annual Report. Save as disclosed in this Annual Report, to the best knowledge of the Company, there is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

Since the Listing Date and up to the date of this Annual Report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### CHAIR OF THE BOARD AND CHIEF EXECUTIVE OFFICER

During FY2025 and up to the date of this Annual Report, the roles of Chair of the Board (the “**Chair**”) and Chief Executive Officer (the “**CEO**”) of the Company were separated and performed by different individuals. On 16 May 2022, Ms. Zhang Yuqiu and Mr. Shan Yuzhu has been appointed as the Chair and the CEO, respectively.

The Chair provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company’s business development and daily management and operations generally.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The independent non-executive Directors are independent of the management and hence the Company considers that they are free of any relationship that could potentially interfere with the exercise of their independent judgment. None of the independent non-executive Directors has any business or financial interests with the Company nor has any relationship with other Directors. The Company considers all of the independent non-executive Directors are independent.

The Board has also reviewed and considered that the following mechanisms are effective during FY2025 in ensuring that independent views and input are provided to the Board:

- (i) Long serving independent non-executive Directors (i.e. independent non-executive Directors serving more than nine years) to be eligible for nomination by the Board to stand for re-election by the Shareholders;
- (ii) Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and the Board committee(s) as appropriate, and are not entitled to participate in the share award scheme of the Company, if any;
- (iii) In assessing suitability of the candidates, review their profiles based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience;
- (iv) The Board reviews each Director’s time commitment to the Group’s business annually;
- (v) Independent non-executive Directors’ independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;
- (vi) The Company adopts the Model Code as the Code of Conduct and provides guidance to Directors and committee members of the Company on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the Director in conflict; and
- (vii) To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Group’s expense.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the date thereof, and will be renewed for another three years term thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from date of appointment Date and will be renewed for a new fixed term of one year thereafter until terminated by not less than one month's notice in writing served by the independent non-executive Directors or the notice in writing with immediate effect served by the Company.

According to the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company (the "AGM") after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. Any Director appointed under the Articles of Association shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

According to the Article of Association, at each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Furthermore, pursuant to code provision B.2.2 set out in the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years.

### BOARD MEETING AND GENERAL MEETING

According to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend in accordance with code provision C.5.3 of the CG Code.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During FY2025, the Company held four Board meetings in which Directors at the time to determine and review the overall strategic development of the Group and to oversee the achievement of the plan in relation thereto. The attendance records of each Director at the Board meetings of the Company held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meetings</b>
<i>Executive Directors</i>	
Ms. Zhang Yuqiu ( <i>Chair</i> )	4/4
Mr. Shan Yuzhu	4/4
Mr. Li Xiquan	4/4
Mr. Li Peng	4/4
<i>Independent Non-Executive Directors</i>	
Dr. Lai King Yin	4/4
Dr. Song Xiaofeng	4/4
Mr. Leung Tsz Wing	4/4

One general meeting was held during FY2025. The attendance records of each Director at the general meeting held FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meeting</b>
<i>Executive Directors</i>	
Ms. Zhang Yuqiu ( <i>Chair</i> )	1/1
Mr. Shan Yuzhu	1/1
Mr. Li Xiquan	1/1
Mr. Li Peng	1/1
<i>Independent Non-Executive Directors</i>	
Dr. Lai King Yin	1/1
Dr. Song Xiaofeng	1/1
Mr. Leung Tsz Wing	1/1

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision C.1.1 of the CG Code, all Directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills, which is to ensure that their contribution to the Board remains informed and relevant.

During FY2025, all Directors (or the relevant Directors as a proposed Director at the time) attended the training session on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance, the duties and responsibilities of being a director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

<b>Name of Directors</b>	<b>Attending training session and/or reading materials relevant to the business or directors' duties</b>
<i>Executive Directors</i>	
Ms. Zhang Yuqiu	✓
Mr. Shan Yuzhu	✓
Mr. Li Xiquan	✓
Mr. Li Peng	✓
<i>Independent Non-Executive Directors</i>	
Dr. Lai King Yin	✓
Dr. Song Xiaofeng	✓
Mr. Leung Tsz Wing	✓

### BOARD COMMITTEES

The Board has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee.

#### Audit Committee

The Audit Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the code provision D.3.3 and D.3.7 of the CG Code.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Group.

As at the date of this Annual Report, the members of the Audit Committee are Mr. Leung Tsz Wing, Dr. Lai King Yin and Dr. Song Xiaofeng, all of whom are independent non-executive Directors. Mr. Leung Tsz Wing is the chairman of the Audit Committee.

Two meetings of the Audit Committee were held during FY2025. The attendance records of each member at the Audit Committee meetings held during FY2025 are set out in the table below:

Name of Directors	Attendance of Meetings
Mr. Leung Tsz Wing ( <i>Chairman</i> )	2/2
Dr. Lai King Yin	2/2
Dr. Song Xiaofeng	2/2

The summary of the work of the Audit Committee at the said meetings is as follows:

- (i) reviewed the final results and annual report of the Group for FY2024, the interim results and report for the six months ended 30 June 2025 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;
- (ii) reviewed the Group's financing and accounting policies; and
- (iii) reviewed and recommended appointment of external auditor, improvements on the Group's internal and compliance control system and risk management functions.

On 31 March 2026, the Group's results for FY2025 have been reviewed by the Audit Committee.

During FY2025 and FY2024, the fees paid/payable to the Company's external auditor, Forvis Mazars CPA Limited ("**Forvis Mazars**") were as follows:

Services rendered	2025 RMB'000	2024 RMB'000
Audit services		
Annual audit	1,391	1,537
Non-audit services		
Interim review	366	452
Agreed-upon procedure engagement	27	18
	<b>1,784</b>	2,007

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## Remuneration Committee

The Remuneration Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the code provision E.1.2 of the CG Code.

The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of the Directors determine their own remuneration.

As at the date of this Annual Report, the members of the Remuneration Committee are Dr. Song Xiaofeng, Mr. Shan Yuzhu and Dr. Lai King Yin. Dr. Song Xiaofeng is the chairman of the Remuneration Committee.

One meeting of the Remuneration Committee was held during FY2025. The attendance records of each member at the Remuneration Committee meeting held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meeting</b>
Dr. Song Xiaofeng ( <i>Chairman</i> )	1/1
Mr. Shan Yuzhu	1/1
Dr. Lai King Yin	1/1

The summary of the work of the Remuneration Committee at the said meeting or is as follows:

- (i) made recommendations to the Board on the Company's remuneration policy of Directors and senior management;
- (ii) reviewed the remuneration packages of Directors and senior management in relation to the performance and financial position of the Company; and
- (iii) made recommendations to the Board on the remuneration of independent non-executive Directors.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for FY2025 is set out below:

<b>Remuneration band</b>	
HK\$1,000,000 or below (equivalent to approximately RMB915,000 below)	4

Details of the remuneration of each Director for FY2025 are set out in note 8 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## Nomination Committee

The Nomination Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the code provision B.3.1 of the CG Code.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

As at the date of this Annual Report, the members of the Nomination Committee are Dr. Lai King Yin, Mr. Li Xiquan and Dr. Song Xiaofeng. Dr. Lai King Yin is the chairman of the Nomination Committee.

One meeting of the Nomination Committee was held during FY2025. The attendance records of each member at the Nomination Committee meeting held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meeting</b>
Dr. Lai King Yin ( <i>Chairman</i> )	1/1
Dr. Song Xiaofeng	1/1
Ms. Zhang Yuqiu ( <i>Appointed on 30 June 2025</i> )	N/A
Mr. Li Xiquan ( <i>Ceased on 30 June 2025</i> )	1/1

The summary of the work of the Nomination Committee at the said meeting or by way of written resolutions is as follows:

- (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- (ii) assessed the independence of independent non-executive Directors;
- (iii) made recommendations on the retiring directors at the AGM of the Company; and
- (iv) considered the candidate's integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity on selection of candidates for directorship of the Company.

## ESG Committee

The ESG Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The primary duties of the ESG Committee are to support the Board in targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how the Group adapts its business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address the Group's ESG-related risks and responsibilities. It is also responsible for the investigation of deviation from targets and liaising with the responsible party or functional department to take prompt rectification actions.

As at the date of this Annual Report, the members of the ESG Committee are Mr. Leung Tsz Wing, Mr. Shan Yuzhu, Mr. Li Peng and Dr. Lai King Yin. Mr. Leung Tsz Wing is the chairman of the ESG Committee.

One meeting of the ESG Committee was held during FY2025. The attendance records of each member at the ESG Committee meeting held during FY2025 are set out in the table below:

<b>Name of Directors</b>	<b>Attendance of Meeting</b>
Mr. Leung Tsz Wing ( <i>Chairman</i> )	1/1
Mr. Shan Yuzhu	1/1
Mr. Li Peng	1/1
Dr. Lai King Yin	1/1

The summary of the work of the ESG Committee is as follows:

- (i) reviewed the ESG performance and the effectiveness of ESG systems of the Group; and
- (ii) reviewed the ESG report for FY2024 with a recommendation to the Board for approval.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions with written specific terms of reference in compliance with the code provision A.2.1 of the CG Code.

The duties of the Board in respect of the corporate governance functions are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in this Annual Report.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## BOARD DIVERSITY POLICY

The Group has adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the Group’s business growth. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has taken, and will continue to take steps to promote gender diversity at all levels of the Group, including but without limitation at the Board and workforce (including senior management). As at the date of this Annual Report, the Board comprised seven Directors, one of which was female. The Group had 157 employees (including executive Directors) (2024: 161 employees) in total comprising of 54 females (2024: 52 females) and 103 males (2024: 109 males) as at 31 December 2025. The female-to-male ratio of senior management is approximately 0.33:1 (2024: approximately 0.33:1), and of employees (excluding senior management) is 0.53:1 (2024: approximately 0.48:1). The Group will continue with our endeavor to achieve gender equality in the Group.

The Directors have a balanced mix of age, gender, knowledge and experiences, including business and corporate management, strategic development, research and development of polymer material and construction materials supplement experiences. The Board members also obtained degrees and/or diplomas in various majors including economics and corporate management, finance, accounting, polymer material and engineering, chemical engineering, science and mechatronics technology.

The age group diversity of the Board members as at 31 December 2025 are set out below:

<b>Age composition</b>	<b>Number of individuals</b>
Aged 31–40	1
Aged 41–50	3
Aged 51 or above	3
<b>Total</b>	<b>7</b>

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives have been adopted:

- the Company should comply with the requirements on board composition in the Listing Rules from time to time;
- The number of independent non-executive Directors should be not less than three and one-third of the Board;
- At least one Director is female;
- At least one Director shall have obtained accounting or other professional qualifications; and
- At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee is responsible to review the Board Diversity Policy (including gender balance) from time to time to ensure its continued effectiveness on an annual basis. The Nomination Committee considered that all measurable objectives have been fulfilled during FY2025.

### NOMINATION PROCEDURE

All Board appointments will be based on the Board Diversity Policy and meritocracy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The ultimate decision will be made by Board on merit and contribution that the selected candidates will bring to the Board.

According to the Articles and Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first AGM after his appointment and be subject to re-election at such meeting.

### FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for FY2025 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The Directors' and auditor's responsibilities in respect of the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 102 to 106 in this Annual Report.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. Therefore, the consolidated financial statements are prepared in going concern basis.

The Audit Committee and the Board have reviewed the consolidated financial statements of the Group for FY2025.

### AUDITOR'S REMUNERATION

Details of the remuneration paid/payable to Forvis Mazars are set out on page 27.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for audit services and non-audit service is reasonable. There has been no major disagreement between the external auditor and the management of the Company during FY2025.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## DIVIDEND POLICY

The Board adopted a dividend policy (the “**Dividend Policy**”) which aimed to provide stable and sustainable returns to the Shareholders.

The declaration, payment and the amount of any future dividends are subject to the discretion of the Board and shall be taken into account of the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends. The declaration, payment and amount of any future dividends will be subject to the constitutional documents of the Company including, where necessary, the approval of the Shareholders.

The Directors do not recommend the payment of a final dividend for the Year (*FY2024: Nil*). The Directors consider that the dividend decisions were made in accordance with the Dividend Policy.

## INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the “**SFO**”) and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. All employees are bound by the Group’s Code of Conduct to keep all inside information strictly confidential until the disclosure of such information is appropriately approved and refrain from accepting personal benefits through the power or authority derived from their positions.

## COMPANY SECRETARY

Ms. Wong Po Lam has been appointed as the Company Secretary with effect from 1 July 2024. According to code provision C.6.1 of the CG Code, where the Company engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority at the Company whom the external provider can contact. Ms. Wong is an external service provider in respect of the appointment of Ms. Wong as the Company Secretary, the primary person at the Company with whom Ms. Wong has been contacting in respect of company secretarial matters is Ms. Zhang, an executive Director.

During FY2025, Ms. Wong had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The biographical details of Ms. Wong are set out in the section headed “Biographical Details of Directors and Senior Management” on page 20 of this Annual Report.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for formulating and overseeing the implementation of the Group's internal control measures and the effectiveness of the Group's risk management system. The Board has established ongoing and responsive risk management and internal control systems and processes designed to manage, rather than eliminate, the risk of failing to achieve the organisation's strategic objectives. Accordingly, these systems can provide only reasonable, and not absolute, assurance against material misstatement or loss. These processes include: (i) understanding the organisation's objectives; (ii) identifying and assessing the risks associated with achieving, or failing to achieve, those objectives, including evaluating the likelihood and potential impact of such risks; and (iii) developing, implementing, and monitoring preventive and corrective action plans to address identified risks.

The Board has delegated to the Audit Committee to review the effectiveness of the risk management and internal controls of the Group. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the identification and monitoring of the risks, the adequacy of resources, staff qualifications and experience, training programmes and the Company's accounting and financial reporting functions. The management has also been delegated to design, implement and maintain the appropriate and effective risk management and internal control systems of the Group.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Group currently does not have an internal audit department. However, the Group has engaged an independent internal control consultant to, on an annual basis, review and provide recommendations on improving its internal control system in order to manage our business risks and to ensure our smooth operation. The review covered certain operational procedures. No significant control failings or weakness have been identified by the consultant during the review. The Board and the Audit Committee would review the need for an internal audit function on an annual basis.

The Company has also conducted a review on the effectiveness and efficiency of the Groups risk management and internal control systems and makes timely improvements based on changes and existing defects for the purpose of listing of the Shares on the main board of the Stock Exchange during FY2024 and the management has confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisers. The Board satisfied and confirmed that the Group's risk management and internal control systems were effective and adequate for FY2024. However, the systems aim to manage but not eliminate the risks relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute assurance against material misstatement or loss.

### ANTI-BRIBERY AND ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICIES

The Group adopts a policy of zero tolerance towards bribery, extortion, fraud and money-laundering. The Group has adopted anti-bribery and anti-corruption policy (the "**Anti-Corruption Policy**") to ensure that all employees comply with the relevant law and the Group's internal policies on the prevention of corruption.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Group has also adopted a whistleblowing policy (the “**Whistleblowing Policy**”) to encourage reporting of bribery, extortion, fraud and money laundering, under which all employees have a responsibility to report to their supervisor or senior management any suspected violations, malpractice or impropriety within the Group.

Details of implementation of the Anti-Corruption Policy and the Whistleblowing Policy are set out in the section headed “Environmental, Social and Governance Report” on pages 77 to 78 of this Annual Report.

### SHAREHOLDERS’ RIGHTS

The Company welcomes the Shareholders to attend the general meetings to express their opinions and encourages all Directors to attend the general meetings to get into direct communications with the Shareholders.

#### Convening an Extraordinary General Meeting

According to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings; on a one vote per share basis in the share capital of the Company, and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### Procedures for Shareholders to Put Enquiries to the Board

Shareholders of the Company who have enquiries for the Board are most welcomed to contact the Company at any time and such enquiries will be forwarded to the Board. The contact details are as follows:

Address: Room 1910, 19/F., C C Wu Building 302-308 Hennessy Road, Wan Chai, Hong Kong

Facsimile: (852) 2529 9292

E-mail: IR@jl-ks.cn

#### Procedures for Shareholders to Put Proposals at General Meeting

Shareholders of the Company are advised to follow Article 64 of the Articles of Association for including a resolution through a valid requisition of an extraordinary general meeting. Details are set out in paragraph “Convening an extraordinary general meeting” above.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### INVESTOR RELATIONS

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, in general, information is communicated to the Shareholders mainly through the Company's interim reports and annual reports, general meetings, as well as the corporate communications and publications published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website ([www.jl-ks.cn](http://www.jl-ks.cn)).

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency and has established a shareholders communication policy between itself, its Shareholders and investors which aims to set out the principles of the Company in relation to the shareholders' communications. The policy will be under review from time to time in order to ensure its effectiveness.

### CONSTITUTIONAL DOCUMENTS

The Articles of Association were approved on 9 March 2023 by special resolution and with effect from the Listing Date. Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during FY2025.

On behalf of the Board

**Zhang Yuqiu**

*Chair*

Changchun, Jilin, the PRC, 31 March 2026

# REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for FY2025.

## SHARE OFFER

The Company was incorporated in the Cayman Islands on 21 January 2022 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

As at 31 December 2024, 31 December 2025 and up to the date of this Annual Report, the issued share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares with nominal value of HK\$0.01 each. There were no treasury shares (as defined under the Listing Rules) held by the Company.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company's principal subsidiaries are set out in note 24 to the consolidated financial statements.

## BUSINESS REVIEW

A fair review of the Group's business and likely future development, and a description of the principal risks and uncertainties being faced by the Group are provided in the "Chair's Statement" on pages 4 to 5, "Chief Executive Officer's Review" on pages 6 to 7 and "Management Discussion and Analysis" on pages 9 to 15 of this Annual Report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes there are certain risks and uncertainties involved in its operations, some of which are beyond the Group's. These risks and uncertainties can be broadly categorised into: (i) risks relating to the Group's business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Listing. For a more comprehensive list of risk factors and explanations, please refer to the section headed "Risk Factors" in the Prospectus. There was no material difference in the identified risks between those disclosed in the Prospectus and this Annual Report.

Further descriptions of the Group's financial risk (including credit risk and liquidity risk) management objectives and policies are set out in note 28 to the consolidated financial statements.

An analysis of the Group's performance during FY2025 using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on page 176 and pages 9 to 15 of this Annual Report, respectively.

The Group did not have any significant events after the reporting period and up to the date of this Annual Report.

## REPORT OF THE DIRECTORS (CONTINUED)

### COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2025 and up to the date of this Annual Report, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.

Since the Listing Date and up to the date of this Annual Report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

### RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

#### Employees

The Group considers employees are the important assets and their contribution is valued at all times. The Group provides competitive remuneration package to attract and retain high quality employees for long term business development. The Group reviews the compensation to employees in accordance with their performances, contributions and the prevailing market practice annually. The Group regularly provides training programme to the employees to enhance our employees' skills, knowledge and capability. To ensure that all of our employees are aware of our safety procedures and policies, the Group also regularly provides training programme to the employees on workplace safety.

The Directors believe that the Group has a good relationship with its employees. During FY2025, none of the employees had any labour dispute or claim involving and against the Group.

#### Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group enjoy good relationships with customers and suppliers with mutual trust. Accordingly, the management have kept good communications, promptly exchanged ideas and shares business update with them when appropriate. During FY2025, there were no material and significant dispute between the Group and its customers and/or suppliers.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Details of environmental, social and governance policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 52 to 101 of this Annual Report.

## REPORT OF THE DIRECTORS (CONTINUED)

### RESULTS AND DIVIDEND

The results for FY2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 107 to 108 of this Annual Report.

The Directors do not recommend the payment of final dividend for FY2025 (FY2024: Nil).

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 176 of this Annual Report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2025 are set out in note 13 to the consolidated financial statements.

### BORROWINGS

Particulars of borrowings of the Group as at 31 December 2025 are set out in note 20 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during FY2025 are set out in note 25 to the consolidated financial statements.

### RESERVE

Details of movements in the reserves of the Group during FY2025 are set out in the consolidated statement of changes in equity on pages 111 to 112 of this Annual Report.

### DONATIONS

During FY2025, the Group did not make any charitable and other donations (FY2024: RMB50,000).

### EQUITY-LINKED AGREEMENT

Save as disclosed in this Annual Report relating to the "Share Option Scheme", no equity-linked agreements were entered into during FY2025 or subsisted at the end of FY2025.

## REPORT OF THE DIRECTORS (CONTINUED)

### 2026 AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on Thursday, 25 June 2026 (the “**2026 AGM**”), the register of members of the Company will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026 (both days inclusive) during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2026 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 18 June 2026.

### DIRECTORS

The Directors during FY2025 and up to the date of this Annual Report were:

#### Executive Directors

Ms. Zhang Yuqiu (*Chair*)<sup>1</sup>  
Mr. Shan Yuzhu (*Chief Executive Officer*)<sup>1</sup>  
Mr. Li Xiquan  
Mr. Li Peng

#### Independent Non-Executive Directors

Dr. Lai King Yin  
Dr. Song Xiaofeng  
Mr. Leung Tsz Wing

*Note:*

1. Ms. Zhang and Mr. Shan are spouses.

Pursuant to Article 108(a) of the Articles of Association, at every AGM, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM by rotation at least once every three years. Accordingly, Ms. Zhang Yuqiu, Mr. Shan Yuzhu and Dr. Lai King Yin will retire and, being eligible, offer themselves for re-election as Directors at the 2026 AGM.

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2026 AGM has service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2025.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this Annual Report relating to the "Share Option Scheme", at no time during FY2025, was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or other body corporate.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No contracts, transactions or arrangements of significance, to which the Company, its subsidiaries, its holding company or any of its subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of FY2025 or at any time during FY2025.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain or about the execution of the duties of his office or otherwise in relation thereto.

The Company maintains a directors and officers liability insurance cover in respect of potential costs and liabilities arising from claims brought against its Directors and officers since the Listing.

## REPORT OF THE DIRECTORS (CONTINUED)

### SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “**Share Option Scheme**”) on 9 March 2023 (the “**Adoption Date**”) and effective upon the Listing for a period of 10 years and will expire on 30 March 2033. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

#### (A) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

#### (B) Participants

In accordance with the terms of the Share Option Scheme, our Board may, at its absolute discretion, offer the grant of options (“**Options**”) to subscribe for such number of Shares to:

- (a) any full-time employee of any member of the Group (“**Employee**”); and
- (b) any director of any member of the Group who does not perform an executive function (the person referred to in paragraphs (a) and (b) above are the “**Eligible Persons**”).

#### (C) Total Number of Shares Available for Issue

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

At as 31 December 2025 and the date of this Annual Report, a total of 100,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

## REPORT OF THE DIRECTORS (CONTINUED)

### (D) Maximum Entitlement of Each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted in the 12-month period) to such Eligible Person, the purpose of granting options to the Eligible Person and an explanation as to how the terms of the options serve such purpose, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Shareholders and the date of the meeting or resolution of the Board proposing such grant shall be taken as the offer date for the purpose of calculating the exercise price of those Options.

### (E) Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

### (F) Minimum Vesting Period

All Options granted under the Share Option Scheme will be subject to a vesting period of no less than 12 months from the date of grant except for the specific circumstances set out in the Share Option Scheme.

## REPORT OF THE DIRECTORS (CONTINUED)

### (G) Subscription Price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business Days (as defined in the Listing Rules) immediately preceding the offer date.

### (H) Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

### (I) Exercise of Option

An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot for dealing in the Shares on the Stock Exchange, as the case may be, or any integral multiple thereof) within the Option period in the manner as set out in the Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.

## REPORT OF THE DIRECTORS (CONTINUED)

Subject as hereinafter provided and subject to the terms and conditions upon which the Option is granted, an Option may be exercised by the grantee at any time during the Option period, provided that, among others:

- (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement stated in the relevant terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as our Board may determine;
- (ii) in the event that the grantee ceases to be a full-time employee of any member of our Group for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to a member of our Group or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:
  - (1) the Option period;
  - (2) the period of two months from the date of such notice; or
  - (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

## REPORT OF THE DIRECTORS (CONTINUED)

- (v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily windup our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully-paid.

### (J) Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, being 31 March 2023, and will expire on 30 March 2033, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

For a more details, please refer to section headed “Statutory and General Information – F. Share Option Scheme” in Appendix V to the Prospectus.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and up to date of this Annual Report. As at 1 January 2025 and 31 December 2025, the total number of options available for grant under the Share Option Scheme are 100,000,000 Shares and 100,000,000 Shares, respectively.

There is no service provider sublimit under the Share Option Scheme.

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDER LY ING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (a) Interests in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (L) <sup>(1)</sup>	Approximate percentage of the Company's issued share capital (%)
Ms. Zhang <sup>(2)(5)</sup>	Interests in controlled corporation	321,080,700	32.11
Mr. Shan <sup>(3)(5)</sup>	Interests in controlled corporations	190,822,340	19.08
Mr. Li <sup>(4)</sup>	Interest in a controlled corporation	11,250,090	1.13

*Notes:*

- (1) The Letter "L" demonstrates long position.
- (2) Ms. Zhang beneficially owns the entire issued shares of Lvsetianye Technology Holdings Limited ("**Lvsetianye Technology**"). Lvsetianye Technology is a company incorporated in the British Virgin Islands (the "**BVI**"), which in turn holds 321,080,700 Shares or approximately 32.11% of the issued share capital of the Company. Therefore, Ms. Zhang is deemed, or taken to be, interested in all the Shares held by Lvsetianye Technology for the purpose of the SFO.
- (3) Mr. Shan beneficially owns the entire issued shares of Lvsesenlin Technology Holdings Limited ("**Lvsesenlin Technology**"). Lvsesenlin Technology is a company incorporated in the BVI which in turn holds 91,022,880 Shares or approximately 9.10% of the issued share capital of the Company. Daziran Technology Invest Holdings Limited ("**Daziran Technology**") and China Plastic Environmental Protection Holdings Limited ("**CPEP Holdings**"), the companies incorporated in the BVI and are wholly owned by Lvsesenlin Technology, in turn holds 92,599,460 Shares or approximately 9.26% and 7,200,000 Shares or approximately 0.72% of the issued share capital of the Company, respectively. Therefore, Mr. Shan is deemed, or taken to be, interested in all the Shares held by Lvsesenlin Technology, Daziran Technology and CPEP Holdings for the purpose of the SFO.
- (4) Mr. Li beneficially owns the entire issued shares of Languang Technology Invest Holdings Limited ("**Languang Technology**"). Languang Technology is a company incorporated in the BVI which in turn holds 11,250,090 Shares or approximately 1.13% of the issued share capital of the Company. Therefore, Mr. Li Xiquan is deemed, or taken to be, interested in all the Shares held by Languang Technology for the purpose of the SFO.
- (5) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

## REPORT OF THE DIRECTORS (CONTINUED)

### (b) Long positions in associated corporation

#### *Changchun Guangke Technology Co., Ltd*

<b>Name of Director</b>	<b>Capacity/Nature of interest</b>	<b>Approximate percentage of shareholding in Changchun Guangke (%)</b>
Ms. Zhang	Beneficial owner	0.0039
Mr. Shan	Beneficial owner	0.0036
Mr. Li	Beneficial owner	0.0001

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2025, the following persons held an interest or a short position in the Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follow:

<b>Name of Shareholder</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares Held (L)<sup>(1)</sup></b>	<b>Approximate percentage of the Company's issued share capital (%)</b>
Ms. Zhang <sup>(2)(4)</sup>	Interest in a controlled corporation	321,080,700	32.11
Mr. Shan <sup>(3)(4)</sup>	Interest in controlled corporations	190,822,340	19.08
Lvsetianye Technology <sup>(2)</sup>	Beneficial owner	321,080,700	32.11
Lvsesenlin Technology <sup>(3)</sup>	Beneficial owner	91,022,880	9.10
	Interest in controlled corporations	99,799,460	9.98
Daziran Technology <sup>(3)</sup>	Beneficial owner	92,599,460	9.26
CPEP Holdings <sup>(3)</sup>	Beneficial owner	7,200,000	0.72

*Notes:*

- (1) The Letter "L" demonstrates long position.
- (2) Lvsetianye Technology held approximately 32.11% of the issued share capital of the Company. Lvsetianye Technology is wholly owned by Ms. Zhang. Ms. Zhang is therefore deemed to be interested in the Shares that Lvsetianye Technology is interested in.

## REPORT OF THE DIRECTORS (CONTINUED)

- (3) Lvsesenlin Technology, Daziran Technology and CPEP Holdings held approximately 9.10%, 9.26% and 0.72% of the issued share capital of the Company, respectively. Each of Daziran Technology and CPEP Holdings is wholly owned by Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan. Mr. Shan is therefore deemed to be interested in the Shares that each of Lvsesenlin Technology, Daziran Technology and CPEP Holdings is interested in.
- (4) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

Save as disclosed above, the Directors are not aware of any other person who had beneficial interests or short positions in any Shares or underlying Shares, which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

### CONNECTED/RELATED PARTIES TRANSACTIONS

The Company had not entered into any connected transaction during FY2025, which is required to be disclosed under the Listing Rules. Details of related party transactions are disclosed in note 26 to the consolidated financial statements. None of these related party transactions constitutes connected transactions or continuing connected transactions of the Company that are not fully exempt under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.72 of the Listing Rules, the Company confirmed that these related party transactions were continuing connected transactions exempt from the connected transactions requirements.

### MAJOR CUSTOMERS AND SUPPLIERS

During FY2025, the Group made approximately 29.7% (FY2024: approximately 33.0%) of its entire sales to Group's five largest customers and sales to the largest customer included therein amounted to approximately 15.5% (FY2024: approximately 14.5%). Purchases from the Group's five largest suppliers accounted for approximately 69.1% (FY2024: approximately 72.4%) of the total purchases for FY2025 and purchases from the largest supplier included therein amounted to approximately 18.8% (FY2024: approximately 21.1%).

None of the Directors, their associate or any Shareholder (which to the best knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the major customers or suppliers noted above.

### RETIREMENT BENEFIT SCHEMES

The Group strictly complies with the defined contribution retirement plans organised by local governments in the PRC. Details of the Group's retirement benefit schemes for FY2025 are set out in note 2 to the consolidated financial statements.

## REPORT OF THE DIRECTORS (CONTINUED)

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, where the Company is incorporated, which oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### TAX RELIEF AND EXEMPTION

The Group is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. Intending holders and investors of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding, disposal of or dealing in the Shares.

### DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in the Report of the Directors, at no time during FY2025 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during FY2025.

### COMPETING INTEREST

During FY2025 and up to the date of this Annual Report, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete directly or indirectly with the business of the Group.

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

During FY2025 and up to the date of this Annual Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 31 December 2025, there were no treasury shares (as defined under the Listing Rules) held by the Company.

### REMUNERATION POLICY

During FY2025, the remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprise salary, contribution to pension schemes and discretionary bonus related to the profit of the relevant company.

## REPORT OF THE DIRECTORS (CONTINUED)

The remuneration package of the Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review regularly the remuneration of all Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details are set out in the paragraph headed “Share Option Scheme” on pages 42 to 46 in this Annual Report.

### USE OF PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing in the amount of approximately HK\$155.4 million after deducting underwriting commissions and all related expenses. During the Year, the Company had utilised such Net Proceeds in accordance with the purposes as set out in the Prospectus, 2022, 2023 and 2024 annual report. On 28 March 2025, the Board, having considered the reasons set out in “Reason for the Change in Use of Proceeds” under “Management Discussion and Analysis – Future Plan and Use of Proceeds” section in the 2024 annual report of the Company, resolved to change the use of unutilised net proceeds as at 31 December 2024. For details of use of proceeds from the Listing, please refer to the paragraph headed “Future Plans and Use of Proceeds” on page 15 in this Annual Report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, since the Listing Date and up to the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company’s total number of issued Shares as required under the Listing Rules.

### AUDITOR

The consolidated financial statements for FY2025 have been audited by Forvis Mazars. Forvis Mazars will retire in the 2026 AGM, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2026 AGM.

From the incorporation of the Company and up to the date of this Annual Report, there has been no change in the Company’s auditor.

On behalf of the Board

**Zhang Yuqiu**  
*Chair*

Changchun, Jilin, the PRC, 31 March 2026

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

China Treasures New Materials Group Ltd. (hereinafter referred to as “**China Treasures New Materials**” or the “**Group**”) hereby releases the Environmental, Social and Governance Report (the “**ESG Report**”) of the Group. This report is prepared in line with the Environmental, Social and Governance Reporting Code (the “**ESG Reporting Code**”) specified in Appendix C2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The report aims to pinpoint and disclose key matters, performances, initiatives, and accomplishments regarding environmental, social, and governance (ESG) aspects. It also clarifies the Group’s long-standing dedication to fulfilling corporate social responsibility. This report is prepared in both Chinese and English. In the event of any discrepancy between the two versions, the English version shall prevail.

## Mandatory Disclosure: Reporting Principles

This Report has been prepared in accordance with the mandatory disclosure requirements and the “comply or explain” principle set forth in the ESG Reporting Guide and the following four reporting principles:

1. **Materiality:** environmental, social and governance issues that may have an impact on the stakeholders shall be disclosed in this Report.
2. **Quantitative:** The key performance indicators related to historical data on the identified environmental, social and governance targets shall be measured, so that the key performance indicators in this ESG Report can be compared with peers, industry standards and performance in previous years.
3. **Balance:** The information contained in this ESG Report shall be unbiased and free from any selections and omissions or presentation formats that may inappropriately influence a decision or judgement by the reader of this ESG Report.
4. **Consistency:** To ensure comparability, all key performance indicators are calculated and assumed to be consistent with previous years. Any changes in relevant assumptions or calculation methods will be clearly disclosed to stakeholders.

## Mandatory Disclosure: Reporting Scope

This Report’s scope predominantly encompasses the Group’s principal activities during the period from 1 January 2025 to 31 December 2025 (the “**Reporting Period**”). These activities include the manufacturing and sales of biodegradable materials, rubber and plastic materials and their finished products, general cargo road transportation, as well as goods import and export. Except for the data section, disclosures related to the system, policies, and legal and regulatory compliance are presented from the Group’s perspective. The Group has formulated ESG key performance indicators (“**KPIs**”), which are accompanied by explanatory notes in this ESG Report and serve as benchmarks. The Group will persist in evaluating the crucial ESG elements of various business types to decide whether they should be incorporated into the ESG Report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## ESG REGULATORY FRAMEWORK

To generate long-term value for stakeholders and manage scarce natural resources effectively, the Group endeavours to achieve sustainable business development by integrating ESG themes into its daily operations. The Group recognizes its obligations in environmental protection and social responsibilities and is cognizant of climate-related issues that could affect its day-to-day business.

In compliance with the ESG Reporting Code, the Group has developed the Policy on Environmental, Social and Governance Disclosure (the “**ESG Policy**”). This policy details the following aspects:

- (i) Appropriate risk governance for ESG matters, covering climate-related risks and opportunities;
- (ii) Identification of key stakeholders and the communication channels for engaging with them;
- (iii) Identification of key performance indicators (“**KPIs**”), relevant measurement methods, and risk-mitigating measures;
- (iv) Procedures for reporting environmental incidents and corresponding mitigation measures.

The Board bears ultimate responsibility for overseeing and determining the ESG-related, climate-related, and social-related risks and opportunities that influence the Group. It is tasked with establishing the Group’s ESG Policy and targets, and conducting an annual review of the progress made. The Board possesses the discretion to adjust ESG strategies when significant deviations from the targets are identified.

The Group conducts a comprehensive enterprise risk assessment at least once a year, covering existing and potential risks, particularly the strategic impacts brought about by disruptive factors such as climate change. The Board may opt to conduct the assessment itself or commission an independent third party to perform the review, thereby optimizing the internal control system and implementing improvement measures. The Board, ESG Committee, and Audit Committee will continue to collaborate to strictly monitor the Group’s risk management approach, especially with respect to climate-related risks.

To manage environmental-related risks, social sustainability risks, and climate-related issues, the Board has implemented measures to address the risks identified during the enterprise risk assessment. This ensures that potential risks inherent in business operations or issues that could impact operations are minimized. Risks are monitored as part of the standard operating procedures, and appropriate mitigation measures are regularly reviewed and adjusted as part of routine management processes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## STAKEHOLDER ENGAGEMENT

The Group determines stakeholders according to their connection with the Group and the extent of mutual influence. Interacting with stakeholders enables the Group to foster a deeper mutual comprehension of their aspirations and interests, thus strengthening the ties with them. By leveraging a wide range of communication channels, the Group discerns the concerns of both internal and external stakeholders, which in turn offers a comprehensive and well-balanced perspective on ESG issues. Throughout the Reporting Period, the key stakeholders encompassed investors, employees, suppliers, the media, communities, customers, and the Stock Exchange. The subsequent table presents an overview of the Group's key stakeholders, communication and response channels, as well as the sustainability topics that pique the stakeholders' interest.

Stakeholders	Requirements and Expectations	Response and Communication Channels
Employees	<ul style="list-style-type: none"> <li>Comprehensive training system and career development path</li> <li>Information security and employee privacy protection</li> <li>Occupational Health and Safety (OHS) management environment</li> <li>Competitive compensation and benefits and protection of legal rights</li> </ul>	<ul style="list-style-type: none"> <li>Diversified training courses, professional seminars, and workshops</li> <li>Regular departmental meetings and internal information briefings</li> <li>Regular performance appraisals, employee interviews, and two-way feedback mechanisms</li> </ul>
Investors and Shareholders	<ul style="list-style-type: none"> <li>Sound risk management framework and high-level corporate governance</li> <li>Diversity and Inclusion (D&amp;I) workplace culture</li> <li>Financial stability and responsible investment principles</li> <li>Information transparency and accuracy of disclosure</li> <li>Business ethics and integrity operation policies</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder circulars, annual and interim reports</li> <li>Annual general meetings (AGM) and investor meetings</li> <li>Instant messaging platforms, e-mail and hotline communications</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Open, fair and transparent tendering and admission process</li> <li>Establishing strategic partnerships to achieve win-win results</li> </ul>	<ul style="list-style-type: none"> <li>Regular tender briefings and business negotiations</li> <li>On-site supplier audits, compliance assessments, and performance review</li> <li>Industry exchange seminars and technical sharing</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Stakeholders	Requirements and Expectations	Response and Communication Channels
Government Authorities	<ul style="list-style-type: none"> <li>• Strict compliance with various laws, regulations, and regulatory standards</li> <li>• Community investment, involvement and social welfare enhancement</li> <li>• Compliant corporate governance level and operations</li> <li>• Environmental footprint management and achievement of carbon reduction targets</li> </ul>	<ul style="list-style-type: none"> <li>• On-site visits, administrative meetings and project reports</li> <li>• Seminars on industry policy updates and opinion solicitations</li> <li>• Mandatory local and regional compliance reporting requirements</li> </ul>
Stock Exchange	<ul style="list-style-type: none"> <li>• Materiality disclosure of major ESG issues</li> <li>• Strict compliance with the Listing Rules and regulatory guidelines</li> <li>• Effectiveness of corporate governance framework</li> <li>• Timely announcement and issuance of various external reports</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in webinars and training organized by regulatory bodies</li> <li>• Regular review of regulatory guideline updates and compliance training</li> <li>• Online communication and filing through electronic disclosure systems</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Financial performance and business growth momentum</li> <li>• Corporate governance and transparency of leadership</li> <li>• Performance in community involvement and social public welfare activities</li> <li>• Environmental impact assessment and sustainable transformation process</li> </ul>	<ul style="list-style-type: none"> <li>• Media communications, public relations activities and news releases</li> <li>• Dynamic information updates on the “News Center” of the Company’s website</li> </ul>
Society and Community	<ul style="list-style-type: none"> <li>• Long-term environmental impact of operations</li> <li>• Regional development, social integration, and local involvement</li> <li>• Social welfare services and livelihood improvement projects</li> <li>• In-depth implementation of corporate social responsibility (CSR)</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing philanthropic partnerships with non-profit organizations (NGOs)</li> <li>• Organizing community volunteering activities and public welfare services</li> <li>• Regularly organizing or sponsoring charity activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Honest operation, fair competition, and business ethics</li> <li>• Excellent product quality and service reliability indicators</li> <li>• Data privacy protection and information security protocols</li> <li>• Pricing transparency, fairness and market competitiveness</li> <li>• Efficient after-sales support and complaint handling mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Customer service hotline, feedback mailbox, and instant consultation</li> <li>• After-sales tracking services, customer satisfaction surveys, and interviews</li> <li>• Online product descriptions and interactive platforms on the official website</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## MATERIALITY ASSESSMENT

To improve stakeholders' comprehension of the Group's ESG performance and sustainability strategy, the Group solicited key stakeholders to take part in a substantial survey. In this survey, participants ranked ESG issues based on their significance. Their responses confirmed that the Group is on a correct trajectory for long-term sustainable development. Moreover, their feedback serves as a crucial resource for formulating new solutions to address stakeholders' concerns.

The Group's key ESG issues are shown in the following table:

Rank	Category	ESG Topic
1	Products and Services	Product and service labelling
2	Operating Practices Employment and Labour	Environmental friendliness of procured products and services
3	Practices	Staff development, training and promotion
4	Products and Services	Product health and safety
5	Environmental Impact	Measures to protect the environment and natural resources
6	Compliance and Governance	Anti-corruption and bribery
7	Operating Practices	Supply chain selection and monitoring (Integrity and green procurement)
8	Products and Services	Customer satisfaction
9	Compliance and Governance	Training provided to directors and employees (including anti-corruption training)
10	Environmental Impact Employment and Labour	Energy and water resource use
11	Practices	Employee compensation, benefits and rights
12	Operating Practices Employment and Labour	Suppliers' environmental and social risks
13	Practices	Occupational health and safety
14	Products and Services	Customer information and privacy protection
15	Environmental Impact Employment and Labour	Use of materials (e.g., packaging, raw materials)
16	Practices Employment and Labour	Preventing child and forced labour
17	Practices	Employee diversity and equal opportunities
18	Community Investment	Community support (e.g., donations, volunteering)
19	Environmental Impact	Greenhouse gas emissions
20	Environmental Impact	Climate change
21	Environmental Impact	Water resource use
22	Environmental Impact	Generation of hazardous waste
23	Products and Services	Compliance with and protection of intellectual property rights
24	Environmental Impact	Air emissions
25	Environmental Impact	Generation of non-hazardous waste
26	Products and Services	Marketing and promotion

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

According to the assessment, the social aspects of ESG were identified as being more important to stakeholders. With “product and service labelling”, “environmental friendliness of procured products and services”, and “staff development, training and promotion” as the top three areas of key concern during the year.

In line with the disclosure requirements of the ESG Reporting Code and other relevant regulations, the Board will establish targets for material key performance indicators (KPIs) at the start of each financial year. These KPIs are related to the above-mentioned important areas. Additionally, the relevant ESG targets for material KPIs will be reviewed on an annual basis. This is to guarantee that they continue to meet the Group’s requirements and adapt to its evolving needs.

### Information and Feedback

The latest information on the Group’s financial performance and corporate governance during the Reporting Period can be found on the official website ([www.jl-ks.cn](http://www.jl-ks.cn)) and the Annual Report. The Group welcomes all feedback from investors and stakeholders, particularly in the material areas identified in the materiality assessment. Your comments are highly valued. If you have any suggestions or comments, please contact us at:

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## ENVIRONMENTAL

In the past decade, the surge in the frequency of natural disasters and extreme weather events caused by climate change has triggered ecological chain reactions and threatened global biodiversity. Facing severe environmental challenges, the Group consistently integrates the core values of sustainability and environmental management across all its business operations.

The core objective of our strategy lies in comprehensively reducing the environmental footprint during the operational process to create long-term value for social and ecological harmony. Actively practicing the mission of “Building a Better Environment,” the Group is committed to promoting biodegradable plastic products and using technological innovation to eliminate “white pollution,” contributing to the construction of a Green China. Currently, the Group has incorporated the collection of environmental key performance indicator (KPI) data into its normalized operational monitoring. Through the implementation of precise measures such as “Energy Management” and “Water Resources Management,” we systematically minimize our environmental impact. Given the Group’s deep involvement in the production and sales of biodegradable materials and eco-friendly products, we have consistently maintained low levels of resource consumption and environmental load, demonstrating excellent practices in low-carbon transformation.

### Emissions

The Group consistently makes certain that its business activities adhere to relevant local laws and regulations. This includes, but is not restricted to, the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation), and the Law of the People’s Republic of China on Environmental Impact Assessment. The Group is deeply aware of the severe legal consequences that may result from violating relevant environmental laws and regulations, including but not limited to ordered rectifications, administrative penalties, suspension of production for consolidation, or even shutdown and closure. To effectively mitigate relevant compliance risks, the Group has formulated a series of environmental protection mechanisms covering “emission reduction, consumption reduction, and low-carbon” initiatives, deeply embedding green management into daily operational processes to strive to minimize its environmental burden.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the Group was not aware of any material instances of non-compliance with environmental protection regulations, nor were there any potential environmental risks that could cause a material adverse impact on the Group's operation and management.

### Waste Gas Emissions

Waste gas pollutants produced by the Group include nitrogen oxides ("NO<sub>x</sub>"), Sulphur oxides ("SO<sub>x</sub>") and particulate matter ("PM"). The Group's waste gas emission data during the Reporting Period were presented as follows:

Waste Gas Emissions	Unit	FY2025	FY2024 <sup>1</sup>	Percentage of Change
NO <sub>x</sub>	kg	<b>1,160.70</b>	909.61	27.60%
SO <sub>x</sub>	kg	<b>1.47</b>	1.44	2.08%
PM	kg	<b>114.87</b>	89.75	27.99%
Total emissions	kg	<b>1,277.04</b>	1,000.81	27.60%

Note:

1 The data has been updated using FY2024 actual vehicle usage statistics.

In the fiscal year 2024 and 2025 (FY2024 and FY2025), the nitrogen oxide emissions per tonne of products sold by the Group were around 0.0792 kg and 0.1404 kg respectively. The Sulphur oxide emissions per tonne of products sold were approximately 0.0001 kg and 0.0002 kg respectively, and the particulate matter emissions per tonne of products sold were roughly 0.0078 kg and 0.0139 kg respectively. The waste gas emissions during the year experienced short-term fluctuations, primarily attributable to the expansion of business operations which led to an increase in the frequency of vehicle usage and driving duration compared to previous years, resulting in a corresponding rise in mobile source emissions. In response to this situation, the Group has proactively implemented a fleet renewal plan, introducing high-efficiency vehicles equipped with the latest emission reduction technologies to replace older models. We anticipate that with the deployment of low-emission vehicles, the energy consumption structure will be effectively optimized, significantly enhancing the overall emission reduction performance and returning to the Group's long-term environmental targets.

### Waste Management

As an integral part of its environmental protection strategy, the Group oversees all kinds of waste generated from its production and operations. This is to safeguard its employees, the environment, and the local community. Throughout the Reporting Period, the Group adhered to all relevant laws and regulations regarding hazardous and non-hazardous waste generation. These include, but are not limited to, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation). Non-compliance with the Atmospheric Pollution Prevention and Control Law of the People's Republic of China can lead to fines, and depending on the severity of the violation, an entity may be ordered to halt operations or shut down. According to the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation), if an entity fails to meet the requirements for monitoring industrial emissions, hazardous air or water pollution, it may face a fine. If it refuses to take corrective action, it may be ordered to stop operations. Entities discharging pollutants without a discharge permit may be fined and ordered to stop operations or close down.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Hazardous Waste

The Group's principal business activities involve the manufacturing and selling of biodegradable materials, rubber and plastic materials, and their products. Consequently, no hazardous waste is generated during its operational processes.

## Non-hazardous Waste

The non-hazardous waste produced by the Group is mainly derived from daily office and production operations, covering general office waste such as waste paper and plastics. In the current year, in response to the establishment of a new staff dining centre (canteen) at the factory, the category of food waste has been newly added to the scope of non-hazardous waste. Details of the non-hazardous waste generated by the Group are as follows:

Non-hazardous Waste	Unit	FY2025	FY2024	Percentage of Change
Total Non-hazardous <sup>2</sup> waste produced	Tonne	<b>2.82</b>	0.55	412.72%
Density of non-hazardous waste <sup>3</sup>	Tonne/number of employees	<b>0.0180</b>	0.0034	425.79%

*Notes:*

- 2 Non-hazardous waste is composed of common office waste and food waste.
- 3 The density of non-hazardous waste is calculated by dividing the total non-hazardous waste produced by the total number of employees of the Group during the Reporting Period. The number of employees of the Group was 161 in FY2024 and 157 in FY2025.

During office hours, non-hazardous waste like waste paper and plastics are centrally collected by each department. These are then handed over to the general office for recycling and disposal. In cases where recycling is not feasible, they are transferred to qualified third-party companies for proper disposal.

The Group is also dedicated to reducing the generation of common office waste through the following means:

- Actively advocating for paperless communication and encouraging employees to transmit information through instant messaging platforms (such as WeChat), email, or encrypted storage devices, thereby reducing paper consumption at the source;
- Promoting a mechanism for double-sided printing and recycled paper usage for internal documents, to maximize the utilization value of each sheet of paper and reduce waste of administrative resources;
- Establishing a waste classification system in office areas and encouraging employees to proactively collect and classify recyclable materials, promoting the recycling and reuse of resources.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Through the implementation of these waste-reduction measures, the Group has steadily increased its employees' environmental awareness. Currently, noise and solid waste disposal do not significantly affect the Group. However, if the significance of these two aspects grows in the future, the ESG Committee will identify relevant data sources and collection processes and make corresponding disclosures.

### Use of Resources

The Group consistently regards environmental protection as the core cornerstone of its sustainable business development and is committed to following the highest environmental standards throughout its operations. To ensure compliance with and to exceed regulatory requirements, the Group carries out systematic monitoring work annually in accordance with the annual Environmental Monitoring Plan. We have established a rigorous early warning and notification mechanism: whenever monitoring data shows abnormalities or exceedances, standard procedures will be immediately initiated to notify relevant functional departments to take corrective measures. Simultaneously, the Group actively promotes environmental protection publicity and education by organizing special activities such as "April 22nd World Earth Day" and "June 5th World Environment Day", deeply embedding environmental awareness into the corporate culture and achieving green governance with the participation of all employees.

### Energy Management

The Group is deeply aware that energy management is key to controlling greenhouse gas emissions; therefore, it has deeply integrated green operational policies into its core strategy. By implementing rigorous energy-saving policies and technical optimization schemes, we continuously explore potential for energy saving and efficiency enhancement. These initiatives not only significantly lower the Group's energy costs but also directly reduce greenhouse gas emissions, supporting the global response to climate challenges. The Group consistently regards compliance as the baseline and strictly executes regulatory requirements such as the Energy Conservation Law of the People's Republic of China, ensuring that it plays the role of a responsible corporate citizen in the process of promoting economic transformation.

To conserve energy, the Group has established internal monitoring mechanisms. These include temperature control, standardizing the efficient use of raw materials by workers, and regularly maintaining energy-intensive equipment. By tailoring energy-saving measures to different energy-consuming sources, the Group can optimize its energy usage.

The Group actively promotes the following measures:

- Advocating for employees to proactively switch off power when equipment and appliances are idle to reduce standby energy consumption and create a conservation-oriented office environment;
- Strictly requiring the turning off of non-essential lighting during lunch breaks and non-office hours to effectively control the use of power resources;
- Implementing regular upkeep and maintenance for office and production appliances to ensure equipment always operates at high energy efficiency and to avoid performance loss;
- Uniformly setting the indoor air-conditioning temperature at 25° C to ensure comfort while minimizing unnecessary energy consumption to the greatest extent.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

By implementing these diverse energy-conservation measures and cultivating an energy-saving mindset among employees, the Group aims to achieve long-term overall energy consumption reduction. The Group will regularly review these measures and introduce new methods in the future to further cut down its energy usage. The Group's energy-use performance is presented in the following table:

Type of Energy	Unit	FY2025	FY2024 <sup>4</sup>	Percentage of Change
Direct energy consumption	Kilowatt-hours	<b>984,341.82</b>	918,711.15 <sup>4</sup>	7.14%
— Petrol	Kilowatt-hours	<b>82,144.02</b>	78,852.96 <sup>4</sup>	4.17%
— Diesel	Kilowatt-hours	<b>895,775.85</b>	839,858.17 <sup>4</sup>	6.66%
— Natural gas	Kilowatt-hours	<b>6,421.95</b>	—	100.00%
Indirect energy consumption	Kilowatt-hours	<b>11,573,564.00</b>	11,562,431.68	0.10%
— Purchased electricity <sup>5</sup>	Kilowatt-hours	<b>11,573,564.00</b>	11,562,431.68	0.10%
Total energy consumption	Kilowatt-hours	<b>12,557,905.81</b>	12,481,142.83	0.62%
Energy consumption density	Kilowatt hours/ tonne of products sold	<b>1,519.13</b>	1,087.21	39.73%

Notes:

- 4 The data has been updated using FY2024 actual vehicle usage statistics.
- 5 Over the past two years, electricity consumption has been the main source of energy for the Group and the increase in electricity consumption is proportional to the increase in business activities.
- 6 The Group sold 11,480.00 tonnes and 8,266.53 tonnes of products in FY2024 and FY2025.

### Water Resources Management

In the macro trends of climate risk and ecological protection, the importance of water resources management has become increasingly prominent. As the pressure of water scarcity intensifies its impact on global communities, restoring freshwater ecosystems has become a shared mission for governments and enterprises. The Group deeply integrates the philosophy of sustainable operation and incorporates water resource protection into its key management issues. By optimizing its water footprint and enhancing resource utilization efficiency, the Group actively responds to global water challenges and contributes to building a resilient future.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Water resources management is a core concern for stakeholders. The Group has incorporated the collection of water consumption data into its regular business operations. This enables the Group to identify and manage potential risks associated with water and optimize its water usage. The details of the Group's water consumption during its operations are as follows:

Water Use Indicators	Unit	FY2025	FY2024	Percentage of Change
Total water consumption	m <sup>3</sup>	<b>1,579.00</b>	677.00	133.23%
Water consumption density	m <sup>3</sup> /tonne of products sold	<b>0.1910</b>	0.0590	224.00%

The Group's total water consumption per tonne of products sold in FY2024 and FY2025 was approximately 0.059 m<sup>3</sup> and 0.191 m<sup>3</sup> respectively. The Group aims to keep its water consumption at or below 10 m<sup>3</sup> per tonne of products sold.

Recognizing the role of enterprises in the responsible management of water resources, the Group is fully dedicated to water protection in accordance with the fundamental principles of its Environmental Protection Management System. The Group has also put in place various measures to reduce water consumption, including but not limited to:

- The Group strictly prohibits any form of water waste and incorporates water-saving awareness into its daily operational codes.
- Management regularly organizes special inspections to conduct comprehensive patrols of the water supply network to prevent seepage and leakage risks effectively.
- Precise verification and data recording of water meters are conducted regularly to detect and locate potential pipeline leakage signs promptly through analysis of abnormal water usage.
- Actively carrying out water-saving activities to reduce pollution, promoting "water reuse" and recycling of water resources, and striving to enhance the comprehensive utilization efficiency of water resources.
- Management frequently shares water-conservation measures and encourages employees to adopt them not only in offices and factories but also at home.

The Group strictly complies with the environmental laws and regulations of the places where it operates, including the Law of the People's Republic of China on the Prevention and Control of Water Pollution, striving to prevent and control water pollution, guard the ecological environment, and maintain drinking water safety. During the Reporting Period, the Group did not face any significant water-related risks. Since the water for production and domestic use is uniformly supplied by local government infrastructure and does not involve direct extraction from natural sources, the Group has consistently maintained stability in obtaining suitable water supplies and has never encountered any difficulties.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Use of Packaging Materials

In its daily operations, the Group utilizes packaging materials such as paper and plastic. Additionally, the Group endeavours to advocate for the use of recyclable, easily recoverable, and degradable kraft paper packaging materials to achieve green, lightweight, and recyclable packaging, aiming to promote green civilization. The details regarding the Group's usage of packaging materials are presented as follows:

Category	Unit	FY2025	FY2024	Percentage of Change
Paper	Tonne	<b>119</b>	183	-34.97%
Plastic	Tonne	<b>8</b>	12	-33.33%
Total	Tonne	<b>127</b>	195	-34.87%
Density	Tonne/Tonne of products sold	<b>0.015</b>	0.017	-9.55%

## The Environmental and Natural Resources

As a responsible manufacturing group, the Group is committed to minimizing its environmental footprint and resource consumption during its operations. We consistently uphold excellent environmental management standards and implement a comprehensive management system covering pollution prevention, process control, and waste disposal to strictly prevent negative impacts on the ecological environment. Management regularly reviews and optimizes this system to ensure alignment with leading international standards. At the same time, we closely monitor environmental risks in business activities, dynamically assess the effectiveness of various environmental measures, and develop targeted preventive strategies based on the Group's risk appetite to strictly control risk levels within an acceptable range.

The Group firmly believes that deeply embedding environmental protection awareness into various business units is the core driving force for promoting sustainable development. We actively seek low-carbon transformation paths, implementing emission reduction targets across the value chain through technological energy saving, green supply chain management, and diversification of energy structures. This strategy not only effectively hedges against transition risks brought about by policy or market shifts but also endows products with superior environmental performance. The Group consistently adheres to the principle of compliant operation and, during the Reporting Period, fully met the relevant legal indicators for emissions and resource management, fulfilling its corporate social responsibility.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Significant Impacts on the Environment and Natural Resources

The Group is committed to achieving a balance between economic growth and environmental governance, ensuring that business operations maintain a minimal ecological footprint. Although the development and production of biodegradable plastics and automotive plastic parts involve the consumption of energy and water resources, we strictly control these through a comprehensive environmental strategy. By following rigorous regulatory standards and implementing proactive monitoring, the Group can identify potential risks early and deploy decisive buffering measures. This forward-looking management approach ensures that we not only meet compliance requirements but also continuously optimize strategies to minimize the impact on natural resources.

Furthermore, the Group is dedicated to continuously optimizing resource utilization. We have implemented an integrated strategy focusing on reducing the input of raw materials, water, and energy, while decreasing waste, pollutants, and carbon emissions. For the plastic production process, the Group has set clear reduction targets for electricity, water resources, and greenhouse gas emissions.

Specific implementation measures include:

**Professional Training and Awareness Enhancement:** Regularly organizing educational programs and workshops to advocate the importance of energy saving to employees, ensuring that green production concepts run through the R&D and manufacturing processes.

**Refined Energy Consumption Management:** Integrating energy-saving practices into daily operations. For example, limiting the use of air conditioning to reduce unnecessary energy consumption when the ambient temperature is below a set threshold.

**Behavioural Guidance:** Posting energy-saving signs next to lighting switches within the facilities to remind employees to turn off lights when leaving, strengthening energy efficiency awareness.

**Low-Carbon Transformation Opportunities:** Enhancing the performance of biodegradable materials through technological innovation to help customers achieve decarbonization in their supply chains.

Through the combination of compliance management, proactive monitoring, specialized resource reduction plans, and employee participation, the Group has not only mitigated its impact on the environment but also set a benchmark for sustainable development in the fields of plastic materials and automotive component manufacturing. This comprehensive management approach demonstrates the Group's commitment to environmental sustainability and its social value as a responsible corporate citizen.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## SOCIAL

### Employment

Employees are the Group's invaluable assets, forming the bedrock of its business success. In its corporate culture, the Group upholds core values of respect, professionalism, and equality. It endeavours to empower employees, treats them with dignity, and promotes equal opportunities and cultural diversity. Guided by the "people-oriented" principle, the Group is dedicated to fostering a safe and healthy working environment and places great emphasis on teamwork, diversity, and inclusiveness. By formulating a standardized Employee Manual, the Group has established clear regulations and standards across core areas, including talent recruitment, redeployment and promotion, labour termination, talent training, compensation and benefits, and social insurance.

Throughout the Reporting Period, the Group strictly adhered to labour-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Regulation on Labour Security Supervision. Through self-examination, the Group identified no material non-compliance incidents regarding labour standards, ensuring robust and compliant operations.

### Employees Information

The Group's employees are all full-time employees. The distribution of employees by gender, employee category, age and geographical region is as follows:

Category	Unit	FY2025	FY2024	Percentage of Change
By Gender				
– Male	Person	<b>103</b>	109	-5.50%
– Female	Person	<b>54</b>	52	3.85%
By Employee category				
– Senior management	Person	<b>8</b>	8	0.00%
– Middle management	Person	<b>7</b>	7	0.00%
– Frontline and other employees	Person	<b>142</b>	146	-2.74%
By Age composition				
≤30	Person	<b>20</b>	20	0.00%
31–50	Person	<b>109</b>	119	-8.40%
≥51	Person	<b>28</b>	22	27.27%
By Geographical region				
– Mainland China	Person	<b>156</b>	159	-1.89%
– Hong Kong	Person	<b>1</b>	2	-50.00%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the total turnover rate of the Group's employees in FY2024 and FY2025 was 2.92% and 1.89%, respectively, and the employee turnover rate by (i) gender, (ii) age group and (iii) geographical region is shown in the table below:

Category	Unit	FY2025	FY2024	Percentage of Change
By Gender				
– Male	Percentage	<b>5.83%</b>	4.46%	30.61%
– Female	Percentage	<b>1.85%</b>	0.00%	100.00%
By Age composition				
≤30	Percentage	<b>0.00%</b>	0.00%	0.00%
31–40	Percentage	<b>2.75%</b>	1.56%	76.43%
41–50	Percentage	<b>3.67%</b>	4.88%	-24.80%
≥51	Percentage	<b>0.00%</b>	3.85%	-100.00%
By Geographical region				
– Mainland China	Percentage	<b>3.85%</b>	2.35%	63.67%
– Hong Kong	Percentage	<b>100.00%</b>	100.00%	0.00%

### Remuneration and Benefits

The Group strictly adheres to the principles of fair competition and reasonable compensation, having formulated and implemented the Remuneration and Benefits Management System to ensure that the salary system is market-competitive and internally equitable. In terms of occupational health, the Group strictly complies with national labour safety and health standards, provides complete labour protection equipment, and conducts regular occupational health examinations for employees engaged in special operations, firmly upholding the safety baseline. In addition, the Group guarantees that employees fully enjoy various statutory leaves and benefits, covering statutory public holidays, paid annual leave, sick leave, marriage and funeral leave, etc., effectively safeguarding the legitimate rights and interests of employees.

Simultaneously, employees are eligible for the social insurance benefits specified in the labour contract, such as pension insurance, medical insurance, unemployment insurance, work-injury insurance, maternity insurance, and housing provident fund, which complies with the provisions of the Labour Contract Law of the People's Republic of China. The Group's employee costs (excluding directors' remuneration) in FY2024 and FY2025 were approximately RMB8.9114 million and RMB7.1344 million respectively. According to the Social Insurance Law of the People's Republic of China, if an enterprise fails to pay social insurance premiums in full and as required by law, regulatory departments have the right to order it to make up the payment within a specified time frame, and a surcharge of 0.05% per day on the outstanding amount will be imposed from the date of the default. If the enterprise still fails to pay within the specified time limit, relevant administrative departments may impose a maximum fine ranging from one to three times the amount of the arrears. Furthermore, according to the Regulation on the Administration of Housing Provident Funds, for enterprises that fail to deposit housing provident funds on time, relevant departments will order them to make up the payment within a specified period; for those who still fail to make up the payment upon expiry, the regulatory authority has the right to apply to a people's court for compulsory enforcement.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Recruitment, Promotion and Dismissal

The Group is committed to building a robust talent pipeline to support its long-term strategic requirements. It undertakes systematic human resource planning to precisely identify the professional skills and practical experience essential for business operations and actively implements a local talent policy. In the employment decision-making process, the Group takes into account comprehensive factors such as business strategy, development blueprints, industry trends, and the competitive landscape, selecting talent strictly based on professional qualifications, educational background, and core competencies. Regarding the remuneration system, all employees enjoy fixed salary protection, supplemented by allowances and bonus incentives based on their job grades and performance.

The Group strictly implements the principle of “gender equality and ethnic equality” in recruitment. Except for special types of work where position requirements are set according to regulations, the Group ensures that all applicants enjoy fair competition opportunities regardless of their background, religion, race, age, or gender. In the selection mechanism, we adhere to the principles of “comprehensive evaluation, selecting the best, and meritocracy,” and implement the principle of “giving priority to internal selection, supplemented by external recruitment” to optimize the talent structure.

Furthermore, the Group has established a normalized performance management system. Through periodic self-evaluations and interviews with supervisors, employees precisely identify their strengths and areas for improvement. This mechanism also serves as the core basis for assessing employees’ professional literacy and promotion potential. We are dedicated to fostering a healthy competitive environment to stimulate employee potential, achieving a win-win situation for personal growth and corporate development.

When employees resign, they will receive reasonable departure compensation based on their reasons for leaving and the Group’s policies. The human resources department will also conduct exit interviews to understand employees’ thoughts and experiences during their tenure at the Group. The feedback from employees will be further transformed into recruitment criteria for the Group, thereby enhancing employee satisfaction.

As of 31 December 2025, the Group did not face any significant challenges in employee recruitment nor any major employee or labour disputes.

### Diversity and Inclusiveness

Diversity and inclusiveness are ingrained in the Group’s corporate ethos. The Group highly values the individuality of all individuals in its policies, recognizing that such differences thrive in a productive, inclusive, and performance-talent focused environment. In this setting, everyone feels valued, can fully utilize their skills, have their performance recognized, their professional contributions acknowledged, and can achieve organizational goals.

The Group particularly focuses on enhancing inclusive leadership. The Group’s leadership is dedicated to upholding diversity and inclusiveness principles. They work closely with various departments and formulate action plans to eliminate barriers to creating an inclusive and respectful working atmosphere. The Group believes that a diverse working environment will inspire creativity, introduce novel ideas to the business, and meet the needs of stakeholders and evolving markets with innovative solutions, products, and services.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Building a diverse workspace is a vital vision of the Group's corporate culture. We adopt a zero-tolerance attitude towards any form of workplace harassment and discrimination, including but not limited to unequal treatment due to background, belief, age, or identity characteristics. The Group continuously promotes the equalization of professional opportunities, aiming to break invisible barriers and create a healthy, professional, and vibrant workplace environment where talents from different backgrounds can jointly drive the sustainable development of the enterprise.

### Health and Safety

Building a positive health and safety culture is a top-tier priority for the Group. A healthier workforce not only boosts productivity and morale but also paves the way for the establishment of a high-performing and adaptable organization. The Group has overseen the development of diverse safety production regulations and safety-technical operating procedures, and is actively driving their implementation. In terms of employee well-being, support is provided to ensure both physical and mental health, taking into account the aspects of physical safety and mental well-being.

### Physical Safety

To safeguard the physical safety of its employees, the Group adheres to the "safety first, prevention-oriented" principle in its operations and follows a comprehensive set of management policies and procedures. These include, but are not limited to, employee security policies, emergency rescue protocols, hazard source identification and risk control measures, and safety standardization regulations.

As per the safety standardization regulations, the safety management departments are responsible for carrying out various safety-related tasks. This encompasses conducting regular, professional, seasonal, and ad-hoc safety inspections, safety education initiatives, safety risk assessments, safety reviews, legislative compliance checks, and emergency response procedures. In day-to-day work, they organize these inspections, prompt all grassroots units to rectify identified potential accident risks and toxic hazards, and correct issues such as rule-violating operations and commands. In cases of extremely urgent unsafe situations, they have the authority to order a halt to operations (or evacuation from the site) and immediately report to relevant leaders for inspection and resolution. To enhance the occupational health and safety awareness of employees, the Group regularly organizes safety education for all staff and provides targeted health interventions and occupational disease examinations for specific positions, striving to minimize the risk of occupational hazards.

The Group complies with relevant laws and regulations, such as, but not limited to, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Act. Moreover, no violations of employee health and safety laws and regulations have been identified within the Group. Over the past three years, there have been no employee fatalities or serious accidents, and the number of work-related injury-induced lost workdays has been zero.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Mental Health

In addition to safeguarding employees' physical well-being, protecting their mental health is of equal significance. The management is highly attentive to employees' mental state and has devised a series of measures to enhance their mental resilience.

A crucial approach is to advocate the concept of work-life balance. The Group endeavors to cultivate a working environment and corporate culture enabling employees to strike an optimal balance between their personal and professional lives. During business operations, the Employee Manual clearly stipulates employees' working hours, rest periods, and holidays, thus protecting employees' legitimate rights and interests, especially their right to rest and take vacations.

Another way to boost morale and team spirit is to organize more activities for employee participation. These activities can strengthen the bond between managers and employees and enhance communication among employees with diverse backgrounds. Employees can build connections with team members from other departments, which not only promotes inclusivity but also has the potential to inspire creativity.

## Development and Training

A diverse pool of professional talent is the cornerstone of the Group's corporate culture. We firmly believe that employees who highly identify with the Group's core values are excellent role models of the brand spirit and the core driving force for business growth and outstanding performance. To this end, the Group regards employees as its most valuable assets. By investing substantial resources, we have established a comprehensive and multi-level learning and development system, providing diverse training opportunities for colleagues, aiming to achieve a win-win situation for personal growth and the Group's long-term development.

The training programs offered by the Group are tailored to enhance employees' skills, knowledge, and capabilities. All new employees are provided with orientation training to help them acclimatize to the Group. Subsequently, on-the-job training is carried out in line with the requirements of relevant departments and the Group's development strategy. Moreover, various internal training sessions are organized according to employees' positions and job specifications.

## Orientation Training

The orientation training is designed with the objective of enabling new employees to seamlessly integrate into the new corporate environment and boost their sense of belonging. The training encompasses multiple aspects such as an overview of the Group's business background, in-depth introduction to its corporate culture, detailed explanation of rules and regulations, clear definition of job responsibilities, guidance on workplace etiquette, and information about promotion opportunities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### On-the-job Training

The on-the-job training is intended to equip employees for their future roles. The training programs encompass comprehensive skill enhancement or retraining for job transfers, specifically enabling technicians to proficiently operate advanced machinery. This is of great significance as the Group adopts the industry's latest top-tier technologies in its production processes. As a result, certain employees are required to adapt to the use of new machines and updated work processes.

Throughout the Reporting Period, every full-time employee underwent training. The breakdown of the trained employees, categorized by gender and employee type, is presented as follows:

Category	Percentage of Participants (%)			Percentage of average training duration (%)		
	FY2025	FY2024	Percentage of Change	FY2025	FY2024	Percentage of Change
Percentage of Participants	<b>100%</b>	100%	0.00%	<b>100%</b>	100%	0.00%
By Gender						
– Male	<b>65.61%</b>	67.70%	-3.09%	<b>12.72</b>	10.00	27.18%
– Female	<b>34.39%</b>	32.30%	6.49%	<b>9.22</b>	10.00	-7.78%
By Employee category						
– Senior management	<b>5.10%</b>	4.97%	2.53%	<b>9.50</b>	10.00	-5.00%
– Middle management	<b>4.46%</b>	4.35%	2.50%	<b>9.57</b>	10.00	-4.29%
– Frontline and other employees	<b>90.45%</b>	90.68%	-0.26%	<b>11.73</b>	10.00	17.25%

The average training duration of employees in FY2024 and FY2025 was approximately 10.00 hours and 11.52 hours, respectively.

### Labour Standards

The Group strictly complies with laws and regulations such as the Minors Protection Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Provisions on the Prohibition of Using Child Labour, resolutely eliminating child labour and forced labour. The Group firmly believes that such acts are serious violations of basic human rights; therefore, it adopts a "zero-tolerance" policy across all operational stages. Throughout the Reporting Period, the Group detected no complaints or violations involving child labour or forced labour, nor were there any relevant legal proceedings that posed a significant impact on the Group.

We continuously refine our employment auditing mechanisms to ensure the implementation of the highest standards of human rights protection in talent recruitment and supply chain management. The Group has implemented a series of preventive measures to avoid such occurrences. The Employee Manual also explicitly states that an individual must be at least 18 years old to apply for a position within the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

As an integral part of the employment process, the identity cards, graduation certificates, and other documents submitted by employees must be genuine, and employees are strictly prohibited from borrowing or forging documents to deceive the Group. The human resources department will first verify the legitimacy of these relevant documents. Subsequently, the documents will be forwarded to the personnel department or the personnel administration department of a franchise store for further scrutiny to confirm that the document holders are 18 years of age or older. If any related non-compliance is discovered, the Group will immediately terminate the employment relationship with the personnel involved in the non-compliant recruitment, properly handle the recruited individuals, and, if necessary, transfer the matter to judicial authorities for further action.

According to the Employee Manual, the Group will, with the employees' consent, arrange work shifts in a unified manner based on production requirements, and employees will receive appropriate remuneration. The Group arranges employees' rest periods and working hours transparently and endeavours to optimize working hour arrangements to enable employees to strike an optimal balance between their personal and professional lives. Any adverse behaviour towards employees, such as corporal punishment, verbal abuse, sexual harassment, physical violence, and oppression, is strictly forbidden.

### Supply Chain Management

As a prominent player in environmental and social governance, the Group has persistently incorporated the principle of sustainable development into its supply chain management. The Group collaborates with suppliers in alignment with its strategic objectives and shares its corporate values and the vision of supporting the community while minimizing environmental impact. Through these efforts, it has forged a mutually beneficial relationship with suppliers, thereby further enhancing customer value and securing a sustainable competitive advantage.

### *Qualification Inspection Process*

The Group is dedicated to fostering amicable cooperation with environmentally friendly suppliers and procures raw materials that meet relevant environmental protection criteria. All suppliers are required to be recognized as qualified suppliers before they can provide materials and services to the Group. The Group maintains a roster of qualified suppliers. In FY2024 and FY2025, the number of recognized suppliers for raw material procurement was 17 for both years, and all of these suppliers were situated in the Chinese mainland.

The Group has put in place a rigorous qualified supplier assessment system and regularly conducts dynamic evaluations of suppliers based on their implementation in safety, environment, and compliance fields. The procurement department leads the assessment process, which cover a wide range of dimensions such as product quality, service efficiency, environmental standards, occupational safety, and legal compliance. To ensure the authenticity and accuracy of assessment data, the procurement department comprehensively collects and reviews suppliers' business licenses, operation permits, and factory audit reports. Moreover, the Group conducts on-site inspections and holds specialized discussions to gain an in-depth understanding of suppliers' ESG performance, business operation models, and their risk prevention mechanisms, ensuring the resilience and compliance of the supply chain.

Only suppliers that pass the assessment are eligible to be included in the list of qualified suppliers. Other things being equal, the Group gives preference to environmentally friendly enterprises. This practice effectively reduces environmental and social risks, deepens the Group's understanding of suppliers' capabilities to fulfill their obligations as suppliers and meet the Group's high standards, and further enriches the sustainable culture within its supply chain management.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Goods Shipment

Upon the arrival of purchased raw materials at the warehouses within the Group's factories, specialized inspectors are assigned to conduct inspections. Once the raw materials are deemed qualified, the warehouse manager will arrange for their storage. In the case of substandard raw materials, the Group will engage in communication with the suppliers to arrange for the return of the goods. Should any quality issues arise, the Spare Parts Department will promptly notify the customers and implement remedial measures, thereby preventing any potential disruption to the business operations. Additionally, the finance department will regularly perform cost evaluations of the suppliers.

### Annual Review

The Group's procurement department regularly conducts an annual comprehensive supplier assessment every year. By collecting feedback from various user departments regarding material quality and service levels, it implements a full-scale performance review. During the assessment period, the procurement department requires supplementary documents concerning suppliers' qualifications, compliance, and fulfillment capabilities. For suppliers whose assessment results do not meet the standards, the Group proactively conducts communication and consultation, requiring them to implement corrective and improvement measures. This aims to drive the optimization and upgrading of the entire supply chain through systematic supervision and guidance. If a supplier's performance continues to fall below the Group's expectations, they will be removed from the qualified supplier pool, which helps reduce procurement risk.

In FY2025, the Group established cooperation with 17 suppliers located in multiple regions in China. The distribution of suppliers by geographical region is as follows:

Region	Unit	FY2025	FY2024	Percentage of Change
Northeast China <sup>7</sup>	number of suppliers	<b>6</b>	6	–
North China <sup>8</sup>	number of suppliers	<b>6</b>	6	–
East China <sup>9</sup>	number of suppliers	<b>4</b>	4	–
South China <sup>10</sup>	number of suppliers	–	–	–
Northwest China <sup>11</sup>	number of suppliers	<b>1</b>	1	–
Southwest China <sup>12</sup>	number of suppliers	–	–	–
<b>Total</b>	number of suppliers	<b>17</b>	17	–

#### Notes:

- 7 Northeast China refers to Heilongjiang, Jilin, and Liaoning in China.
- 8 North China refers to Beijing, Tianjin, Shanxi, Hebei, and Inner Mongolia in China.
- 9 East China refers to Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, and Shandong in China.
- 10 South China refers to Henan, Hubei, Hunan, Guangxi, Guangdong, and Hainan in China.
- 11 Northwest China refers to Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang in China.
- 12 Southwest China refers to Chongqing, Sichuan, Guizhou, Yunnan, and Tibet in China.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group selects suppliers based on actual demand and continuously optimizes the selection of suppliers. Therefore, the number of suppliers remained unchanged during the Year, but the Group does not rule out the possibility of seeking new suppliers as necessary in the future.

Due to its diverse supplier network, the Group has not faced any challenges in procuring products and services. Moreover, no single company has been designated as a key supplier. The Group aims to establish and maintain long-term strategic partnerships with suppliers that offer high-quality services, have high market visibility, and possess a strong sense of social responsibility.

### Product Responsibility

The Group places a high premium on product quality. It has established a robust quality control and assurance system to ensure that product quality meets regulatory and industry standards, as well as customers' expectations. The Group scrupulously adheres to product responsibility-related laws and regulations, such as, but not limited to, the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Advertising Law of the People's Republic of China, and the Product Quality Law of the People's Republic of China. Throughout the Reporting Period, the Group detected no violations of laws and regulations pertaining to product and service safety, labelling, advertising, and privacy issues.

To deepen product quality control, the Group strictly executes the Product Quality Check Programme, implementing systematic sampling inspections on finished products to ensure they fully comply with established quality indicators and specifications. Regarding the sales and delivery stage, the Group has added a final inspection procedure prior to packaging and logistics transportation to conduct the last quality check. This ensures the excellence and consistency of the dispatched materials, fulfilling our quality commitment to customers.

### Product Technique

The Group precisely blends and compounds various plastic polymers according to specific specifications to prepare high-performance plastic master batches. Under controlled process conditions, the master batches are melted until they reach a molten state with excellent fluidity and toughness. In the case of biodegradable products, a series of procedures such as film extrusion, die shaping, precision cutting, and pressing are necessary to complete the process. For non-biodegradable automobile plastic parts, injection moulding technology is adopted, where melted plastic is injected into precision moulds. Subsequently, they are assembled into specified geometric structures through welding, followed by final processing and curing.

During the production process, to address the potential toxic gaseous emissions generated during the heat-pressing of high polymers, the Group has configured high-efficiency air-filtering and purification systems to ensure that all process waste gases are treated to meet standards before discharge. Regarding production noise, we have implemented specialized vibration-damping and noise-reduction projects to ensure that factory noise is strictly controlled within national environmental standards. Furthermore, the Group actively practices the concept of circularity. For edge trimmings, substandard products, and obsolete materials generated during production, a complete internal recovery mechanism has been established to re-input them into the biodegradable master batch production line for recycling and reuse, thereby minimizing resource waste and solid waste generation.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Raw Material

In the Reporting Period, around 93.59% of the Group's revenue was derived from the sales of biodegradable plastic products. Additionally, the Group is involved in the research and development as well as the manufacturing of non-biodegradable automobile plastic parts. However, these products contributed no more than 7% to the Group's revenue during the same Reporting Period.

The raw materials for the Group's non-biodegradable automobile parts mainly consist of polypropylene (PP) and polyethylene (PE). PP is a thermoplastic polymer formed through chain-growth polymerisation using the monomer propylene. It is derived from fossil sources, either produced as a co-product during ethylene production via the steam cracking of hydrocarbon feedstocks or as a by-product in petroleum refining processes. PE, on the other hand, is a lightweight and versatile synthetic resin, which is produced by the polymerisation of ethylene. Ethylene is also fossil-based and is mainly sourced from petroleum or natural gas.

The primary raw materials for the Group's biodegradable plastic products are biodegradable plastics. Biodegradable plastics are those that can decompose in both natural aerobic (composting) and anaerobic (landfill) environments. The biodegradation of plastics takes place when microorganisms break down the plastics into either assimilable compounds or into humus-like substances that are less detrimental to the environment. Depending on their composition, biodegradable plastics can be further classified into bio-based biodegradable plastics and fossil-based biodegradable plastics. Bio-based biodegradable plastics include materials such as polylactic acid (PLA), polyhydroxyalkanoates (PHA), starch-based, cellulose-based materials, and others. Fossil-based biodegradable plastics include Polybutylene Adipate Terephthalate (PBAT), Polybutylene succinate (PBS), polycaprolactone (PCL), and the like. Among these, PLA, PBAT, and PBS are the main raw materials that the Group uses for manufacturing its biodegradable plastic products.

Category	Unit	FY2025	FY2024	Percentage of Change
PLA, PBAT and PBS	RMB'000	<b>109,892</b>	172,533	-36.31%
	Percentage of cost of raw materials	<b>79.11</b>	81.15	-2.52%
Consumables	RMB'000	<b>3,595</b>	3,403	5.64%
	Percentage of cost of raw materials	<b>2.59</b>	1.60	61.69%
Other materials <sup>13</sup>	RMB'000	<b>25,424</b>	36,669	-30.67%
	Percentage of cost of raw materials	<b>18.30</b>	17.25	6.12%
Total	RMB'000	<b>138,911</b>	212,605	-34.66%
	Percentage of cost of raw materials	<b>100.00</b>	100.00	0.00%

Note:

13 Other materials include raw materials for automobile plastic parts such as PP, PE, etc.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the Group's utilisation of petrochemical materials and nonpetrochemical materials was as follows:

Category	Unit	FY2025	FY2024	Percentage of Change
Petrochemical materials	RMB'000	<b>98,501.79</b>	4,761.42	1968.75%
Non-petrochemical materials	RMB'000	<b>40,109.21</b>	225,266.61	-82.19%
<b>Total</b>	RMB'000	<b>138,611.00</b>	230,028.03	-39.74%

### Product Quality

The Group's biodegradable produce bag rolls and biodegradable shopping bags fully comply with the national standards "GB/T 33798-2017" (Biopolyester produce bag rolls) and "GB/T 38082-2019" (Biodegradable plastic shopping bags). The standard "GB/T 38082-2019", issued by the State Administration for Market Regulation and the Standardization Administration of the PRC in October 2019, is the sole national standard in China for biodegradable plastic shopping bags. Specifically, the biodegradation rate of the Group's fully biodegradable plastics reaches 92%, meeting the requirements of "GB/T 20197-2006" (Definition, classification, labelling and degradation performance requirements for degradable plastics), which defines, classifies, marks, and sets the degradability requirements for degradable plastics.

For non-food direct contact biodegradable plastic shopping bags, the biodegradation rate is 90.46%, the relative degradation rate is 92.8%, and the proportion of total volatile solids is 94.33%. The average carbon dioxide produced during decomposition is 107.25mg CO<sub>2</sub>/g, which is in line with the requirements of the "GB/T 38082-2019" standard for Biodegradable Plastic Shopping Bags. For PLA fully biodegradable produce bag rolls, the biodegradation rate is 90.04%, the relative degradation rate is 92.37%, and the proportion of total volatile solids is 93.92%. The average carbon dioxide produced during decomposition is also 107.25mg CO<sub>2</sub>/g, conforming to the "GB/T 33798-2017" standards for Biopolyester produce bag rolls.

Moreover, the Group has acquired certifications such as IATF16949 (Automotive Quality Management System), ISO9001 (Quality Management System), and ISO14001 (Environmental Management System). It has been honored as a provincial and municipal "Technology Little Giant" enterprise and has won in the finals of the China Innovation & Entrepreneurship Competition. Additionally, its biodegradable shopping bags have passed the green product design assessment, and the Group successfully declared itself as a provincial "Green Factory" in the green manufacturing category in May 2020.

### Intellectual Property

During the Reporting Period and as of the date of this report, none of the Group's member companies or its Directors have been involved in any material litigation, claims, administrative penalties, or arbitration proceedings related to intellectual property; nor is the Group aware of any significant intellectual property disputes that pose a potential threat to the Group or remain unresolved. The Group consistently complies with the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. It will keep evaluating the significance of intellectual property to its business and, if required, formulate measures to safeguard it.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Customer Privacy Protection

The Group is dedicated to safeguarding the personal data and privacy of its customers, employees, and partners. Its confidentiality policies and privacy practices cover, among other aspects, the collection, processing, utilization, and disclosure of personal data.

The Group strictly abides by its privacy protection commitments to customers, suppliers, and relevant stakeholders. We have constructed a highly secure data protection environment where all sensitive data are stored in strictly monitored internal systems. The “principle of least privilege” is implemented, granting access only to authorized personnel. Without the explicit consent of the parties involved, the Group will never disclose any personal data, aiming to eliminate the risks of unauthorized access, tampering, or leakage from the source and effectively maintain information security.

Throughout the Reporting Period, the Group complied with laws and regulations regarding customer data protection, such as, but not limited to, the Personal Information Protection Law of the People’s Republic of China. The Group will abide by privacy policies and maintain a stance of zero-tolerance towards non-compliance in all business operations. During the Reporting Period, the Group did not experience any major consumer information or privacy violations.

## Product Recall

Customer safety is the core baseline of the Group’s operations. If any potential non-compliance risks are detected in products, the Group will immediately initiate a defective product traceability mechanism to conduct a full-process back-tracing of all affected batches. After an in-depth investigation, if it is confirmed that the recall standards are met, the Customer Service Department will lead the recall procedure, supervise the execution progress, and provide professional after-sales support and reasonable compensation to affected customers.

During the Reporting Period, the Group did not experience any product recall incidents due to safety or health concerns. We consistently adhere to high-standard quality control and are committed to achieving the long-term goal of “zero occurrence” for quality complaints and product recalls.

## Complaint Processing Programme

Driven by a customer-centric approach, the Group actively solicits customers’ feedback to enhance their experience with its products and services. Therefore, the Group places significant emphasis on complaint resolution and is dedicated to replying to every complaint accurately, promptly, and courteously.

The Group has crafted the User Complaint Management Manual to streamline the complaint-handling process. This ensures that all customer complaints are handled appropriately. Confidentiality of complaints is strictly maintained, and the Group guarantees that there will be no form of retaliation against customers for lodging complaints. Adequate auxiliary staff are designated to conduct investigations and handle quality-related complaints. All information regarding complaints and investigations is communicated to authorized individuals.

All complaints are required to be registered and audited. Complaints related to product quality defects are recorded in detail and investigated. Simultaneously, records of complaint investigations and resolutions, along with information about the products under scrutiny, are kept. Subsequently, complaint records are regularly reviewed and analyzed. This enables the identification of issues that demand attention and those that recur, and the implementation of corresponding measures. During the Reporting Period, the Group did not receive any major product-related complaints.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Anti-Corruption

The Group is dedicated to constructing a corporate culture with high professional ethics, cultivating it through training, efficient communication, managerial exemplarity, and a clear accountability system, which forms the bedrock of our corporate reputation. We maintain a “zero-tolerance” stance towards corruption, bribery, and all types of fraud, regarding this as an essential element for safeguarding the healthy and sustainable development of the Group.

To this end, the Group has established a comprehensive preventive system, including regulations such as the already implemented Anti-Fraud Management System, the Regulations on Anti-Fraud and Reporting Mechanism, the Whistleblowing Policy, and the Integrity Policy. The relevant systems clearly define fraudulent behaviors and their identification criteria, and have established rigorous prevention, monitoring, and handling procedures. Furthermore, the Group strictly prohibits any form of money laundering; any illegal fund transfers using the Company’s bank accounts will be subject to serious legal action once discovered.

The Group is committed to implementing compliant operations, guiding all employees to strictly abide by laws, regulations, professional codes of conduct, and ethical standards in their daily work. This strengthens their ability to recognize and properly handle conflicts of interest and effectively resist the allure of improper gains. Simultaneously, the Group actively conveys its core values to stakeholders such as customers, suppliers, regulators, and shareholders, publicly committing to always upholding legal compliance, integrity, honesty, and high standards of business ethics to build a transparent and mutually trustful cooperative ecosystem.

The Group scrupulously complies with anti-corruption-related laws and regulations, including, but not restricted to, the Advertising Law of the People’s Republic of China, the Anti-Money Laundering Law of the People’s Republic of China, the Criminal Law of the People’s Republic of China, and the Interim Provisions on Banning Commercial Bribery.

The data of anti-corruption training is listed in the table below:

Number of People Receiving Anti-corruption Training		Unit	FY2025	FY2024	Percentage of Change
Directors	Person		<b>7</b>	8	-12.50%
Employees	Person		<b>146</b>	161	-9.32%

  

Length of Anti-corruption Training		Unit	FY2025	FY2024	Percentage of Change
Directors	Hour		<b>56.0</b>	32.0	75.00%
Employees	Hour		<b>725.0</b>	644.0	12.58%
Total	Hour		<b>781.0</b>	676.0	15.53%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group upholds an ethical culture by following principle-based guidelines. This approach encourages employees to make morally correct decisions, voice their concerns, and oppose unethical conduct. The Group strictly prohibits the following actions:

- Abuse of power to seek benefits for specific related parties or accepting bribes is strictly prohibited, including but not limited to the reimbursement of personal expenses with public funds, or requesting partners to pay for expenses that should be borne by the individual.
- Any unauthorized borrowing or embezzlement of public funds in violation of company regulations, or using public funds for profit-making or any illegal activities, is strictly forbidden.
- The use of fabricating or concealing facts, or entering into false contracts to pocket or defraud the Group of its assets and property is strictly prohibited.
- During business interactions, it is strictly forbidden to solicit or accept cash gifts, marketable securities, or rebates from partners. If a benefit truly cannot be declined due to business etiquette, it must be surrendered in full and handled according to the Group's procedures.
- Employees may not participate in business partners' dinners or activities privately. If there is a genuine business necessity, they must report to their direct superior in advance and obtain approval before attending.
- In principle, conducting business negotiations with partners individually is prohibited. For activities such as business negotiations, engineering contracts, or equipment procurement, at least two or more personnel must participate to ensure mutual checks and balances.
- All matters involving procurement and finance must strictly execute the relevant management systems. Malpractice, fraud, corruption and bribery, or the misappropriation of specialized construction funds are strictly prohibited.
- Cash or benefits received due to official duties shall be treated as the Group's operating income and turned over. All gifts must be filed for the record; souvenirs with a value of less than RMB100 may be kept for personal commemoration only after being reported to and approved by a superior.

In line with the Whistleblowing Policy, the Group has established diverse whistleblowing channels, including email, telephone, and letter, enabling employees to report unethical conduct to the designated reporting department. Each channel has a set of procedures in place to guarantee the confidentiality and anonymity of reports regarding unethical behaviour. For individuals and matters under suspicion, identified through overt or covert investigations or complaints from fellow employees, once verified, they will be publicly disclosed and addressed. Penalties such as warnings, fines, dismissal, etc., will be imposed based on the gravity of the situation and its impact. If the amount involved reaches the legally required threshold, they will be handed over to the judicial authorities in accordance with national regulations.

While maintaining continuous operations, the Group will constantly assess the effectiveness of the reporting mechanism and make appropriate adjustments as the business evolves. During the Reporting Period, no incidents of corruption, bribery, or money laundering occurred within the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Community Investment

Upholding the core value of “taking from society and giving back to society,” the Group is deeply committed to community care. We not only actively call upon employees to participate in various volunteer services and charitable initiatives but have also established a specialized “Community Investment and Donation Policy” to construct a long-term and clear action blueprint for social welfare. The Group is dedicated to delivering warmth and positive energy to every corner of the community while developing its business, fulfilling its commitment as a responsible corporate citizen through practical actions, and working with all sectors of society to build a vision of harmony, economic prosperity, and sustainable development.

## Climate-related Disclosures

The Group remains committed to proactively addressing climate-related risks and opportunities to ensure long-term business resilience and sustainable development. Given the profound impact of climate change on our industry, we continue to integrate climate factors into our corporate governance, strategic planning, and risk management frameworks.

Referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the IFRS S2 Climate-related Disclosures, and the enhanced disclosure requirements of Appendix D to the ESG Reporting Code, the Group implements climate-related disclosure work based on the four core pillars: “Governance, Strategy, Risk Management, and Metrics and Targets.” By systematically identifying and assessing climate risks and opportunities, we establish and continuously refine long-term mechanisms to embed climate risk management into our strategic and operational processes. This not only strengthens our resilience against climate change but also assists us in seizing green transition opportunities to drive high-quality and sustainable business growth.

The Group also pays close attention to potential health risks arising from climate change. Acute physical risks, such as floods and storms triggered by extreme weather, and chronic health challenges posed by persistent high temperatures, may both impact our financial position.

The Board and the ESG Committee periodically assess climate-related risks and opportunities, categorizing time horizons into short-term (1–2 years), medium-term (3–5 years), and long-term (6–10 years), and formulate countermeasures based on the probability of occurrence and the magnitude of impact. Factors such as production site selection and policy orientations are considered when deciding on strategies to mitigate, transfer, accept, or control risks.

The Group has incorporated physical and transition risks into its risk assessment procedures and risk appetite framework. Significant risks and opportunities are integrated into strategic layouts and financial planning. Upon assessment, extreme weather, persistent high temperatures, and relevant regulatory changes are not expected to have a material physical impact on the Group’s operations in the short to medium term. Nevertheless, the Group has adopted mitigation measures, including those related to extreme weather and high temperatures. Appropriate fire-fighting equipment has been installed to reduce the risk and loss of fire. Multiple measures have also been taken to prevent static accumulation and sparks during the unloading of raw materials, such as strictly prohibiting unloading during thunderstorms or when there is an open flame within 50 meters of the unloading area.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group's production plant is located in the South Industrial Zone of Kalun Economic Development Zone, Jiutai, Changchun City, Jilin Province, China. Although the risk of acute physical risks like floods and storms in this area is relatively low, the Group has formulated contingency measures covering various weather-related scenarios to mitigate risks.

The Group's approved suppliers are all located in China. If a supplier encounters extreme weather such as floods or storms, the Group may be indirectly affected by supply chain disruptions. After assessing the potential impacts that could lead to interruptions in production and supply networks, the Group maintains a list of qualified suppliers across different geographical locations to prevent network disruptions. Since its inception, the Group has not been affected by extreme weather such as floods and storms, and the risk of being affected remains relatively low. In FY2024 and FY2025, the number of approved raw material suppliers was 17. Should some suppliers be affected by extreme weather, the Group can procure from other approved suppliers to reduce the risk of supply chain disruption.

The Board and the ESG Committee will continue to monitor climate-related matters and government actions regarding climate change to take measures to minimize the impact on business operations.

### Governance

As the Group's highest governance body, the Board bears ultimate oversight responsibility for climate-related risks and opportunities in accordance with the Group's Climate Change Policy. The Board conducts regular assessments to ensure its members possess or are developing the necessary expertise and competencies to effectively oversee the execution of strategies for addressing climate risks and capturing opportunities.

The Board considers climate-related factors as core considerations when approving overall strategies, evaluating major transaction decisions, and supervising the risk management framework. This ensures that relevant processes align with climate risk management requirements and fulfill policy commitments to integrate climate factors into strategic planning, risk management, and business continuity arrangements. Furthermore, the Board is responsible for approving key climate targets (including medium-to-long-term carbon reduction and environmental goals) and regularly monitoring progress. Currently, climate-related factors have not been incorporated into the Group's remuneration governance structure.

Senior management is responsible for establishing and maintaining internal control mechanisms to identify, monitor, and manage climate-related issues. These controls are systematically integrated into the Group's existing strategic planning cycles, annual budgets, financial control systems, Enterprise Risk Management (ERM) framework, and internal audit plans. This integration ensures that climate factors are effectively embedded into decision-making and operational processes, supporting the development of climate-resilient projects, establishing green procurement standards, strengthening stakeholder communication, and ensuring compliance with environmental regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Strategy

The Group has formulated a Climate Change Policy to provide a guiding framework for addressing climate-related issues. Based on the commitments therein, we have conducted a comprehensive assessment of the climate-related risks and opportunities facing our business. We have identified climate risks and opportunities that could reasonably be expected to impact the Group's cash flows, access to finance, or cost of capital over different time horizons and have incorporated these factors into our strategic decision-making.

### *Climate-Related Risks and Opportunities*

The Group has established a Climate Change Policy to serve as a strategic framework for addressing climate-related issues. In line with the commitments set out in this policy, we have conducted a comprehensive assessment of the climate-related risks and opportunities within our business operations. The Group has precisely identified climate factors that, within a reasonable time-frame, may have a material financial impact on cash flows, financing capacity and the cost of capital across different time horizons, and has thoroughly integrated these considerations into its strategic decision-making processes.

The Group defines "short-term" as 1–2 years, "medium-term" as 3–5 years, and "long-term" as 6–10 years. This categorization aligns with the Group's strategic planning cycles, asset investment recovery periods, and the assessment progress of major capital expenditures.

The following table details the key climate risks, their corresponding time horizons, potential business and financial impacts, the Group's strategic responses, and the concentration within the business model and value chain.

Risk Category & Description	Primary Horizon	Potential Business & Financial Impact	Strategic Response & Integration	Concentration in Business Model & Value Chain
<p><b>Physical Risk</b></p> <p><i>Acute</i> Sudden weather-related events such as storms, floods, fires, or heatwaves.</p> <p><i>Chronic</i> Long-term shifts in climate patterns, such as rising temperatures, sea-level rise, or water scarcity.</p>	Short to Medium Term (1–5 years)	<p><i>Business impact:</i></p> <ol style="list-style-type: none"> <li>1. Production downtime, damage to precision molds, logistics delays.</li> <li>2. Decreased labour efficiency in high-heat environments.</li> </ol> <p><i>Financial impact:</i></p> <ol style="list-style-type: none"> <li>1. Increased maintenance and insurance premiums.</li> <li>2. Surge in energy expenditure (cooling systems).</li> </ol>	<p>Establish climate-resilient production bases and strengthen plant drainage and heat dissipation systems.</p> <p>Implement multi-source supply chain strategies to reduce reliance on raw materials from a single climate-sensitive region.</p>	<p><i>Concentration Areas:</i> Manufacturing Department, Warehousing and Logistics.</p> <p><i>Asset Types:</i> Production equipment, raw material inventory.</p>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Risk Category & Description	Primary Horizon	Potential Business & Financial Impact	Strategic Response & Integration	Concentration in Business Model & Value Chain
<p><b>Transition Risk</b>  <i>Policy and Legal Risk</i>                      Increasingly stringent bans on non-biodegradable plastics by various governments, as well as potential Carbon Border Adjustment Mechanism (CBAM) duties on export products, and the emergence of carbon pricing mechanisms.</p>	Short-term, Medium-term (1–5 years)	<p><i>Business Impact:</i></p> <ol style="list-style-type: none"> <li>1. Market access restrictions for non-biodegradable parts.</li> <li>2. Need for increased carbon accounting to comply with supply chain disclosure requirements.</li> </ol> <p><i>Financial Impact:</i></p> <ol style="list-style-type: none"> <li>1. Increased capital expenditure for retrofitting lines capable of producing biodegradable products.</li> <li>2. Potential carbon tax expenditures and compliance fines.</li> </ol>	Actively expand the proportion of biodegradable product lines. Establish a Life Cycle Assessment (LCA) carbon footprint tracking system to ensure export products meet low-carbon regulatory standards.	<p><i>Concentration Areas:</i>                      R&amp;D Department, Compliance Department, Foreign Trade Sales.</p> <p><i>Value Chain Links:</i>                      Product design, import and export trade.</p>
<p><b>Transition Risk</b>  <i>Technology Risk</i>                      Rapid market shift towards low-cost bio-based materials or more efficient chemical recycling technologies. Existing non-degradable plastic production technologies face the risk of obsolescence.</p>	Medium-term, Long-term (3–10 years)	<p><i>Business Impact:</i></p> <ol style="list-style-type: none"> <li>1. Existing traditional plastic production equipment faces asset impairment risks.</li> <li>2. Need to frequently update production formulas to maintain competitiveness.</li> </ol> <p><i>Financial Impact:</i></p> <ol style="list-style-type: none"> <li>1. Substantial increase in R&amp;D investment expenditure.</li> <li>2. Reduction of waste through technological upgrades, which can lower raw material costs in the long run.</li> </ol>	Focus on the R&D of biodegradable modified plastics and high-strength lightweight composites. Cooperate with universities or research institutions to layout low-carbon material patents.	<p><i>Concentration Areas:</i>                      Technology Center, Engineering Department.</p> <p><i>Asset Types:</i>                      R&amp;D patents, production line equipment.</p>
<p><b>Transition Risk</b>  <i>Market Risk</i>                      Automakers require suppliers to provide components with “recyclable” or “low-carbon” attributes; consumer preference for environmentally friendly plastics increases.</p>	Medium-term, Long-term (3–10 years)	<p><i>Business Impact:</i></p> <ol style="list-style-type: none"> <li>1. Risk of losing orders if green procurement standards of automakers cannot be met.</li> <li>2. Market share expansion for biodegradable products (opportunity).</li> </ol> <p><i>Financial Impact:</i></p> <ol style="list-style-type: none"> <li>1. Sales revenue growth brought by green premiums.</li> <li>2. Increase in asset valuation (for green production lines).</li> </ol>	Actively promote recycled plastic recycling systems; optimize market positioning of biodegradable products and develop automotive parts that are easy to recycle and disassemble. Strengthen synergistic development with downstream automakers to lock in long-term supply contracts and convert “low carbon footprint” into brand premium.	<p><i>Concentration Areas:</i>                      Sales Department, Strategic Account Department.</p> <p><i>Geographical Areas:</i>                      Markets with a leading role in environmental policies (e.g., Europe, Tier-1 cities in China).</p>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Risk Category & Description	Primary Horizon	Potential Business & Financial Impact	Strategic Response & Integration	Concentration in Business Model & Value Chain
<p><b>Transition Risk</b>  <i>Reputational Risk</i>                      Public and investor concern over microplastic pollution and “pseudo-degradable” products. A company’s low-carbon image directly affects brand premium.</p> <p><i>“Greenwashing” Risk:</i>                      If the degradation performance of biodegradable products in the actual environment is not as claimed, the company will face a reputation crisis.</p>	Medium-term, Long-term (3–10 years)	<p><i>Business Impact:</i>                      Impact of negative news; poor performance or “greenwashing” controversies may lead to damage in brand value and loss of talent.</p> <p><i>Financial Impact:</i>                      1. Financing costs rise due to a downgrade in ESG ratings.                      2. Potential legal expenditures related to environmental litigation.</p>	Obtain degradation performance certification through authoritative third-party institutions; communicate carbon reduction effectiveness proactively by publishing transparent ESG reports, demonstrating substantive carbon reduction results, and building a brand image as an “environmental plastic leader.”	<p><i>Concentration Areas:</i>                      Group Branding Center, Investor Relations.</p> <p><i>Stakeholders:</i>                      Financial institutions, corporate clients, general public.</p>

### Financial Position, Financial Performance and Cash Flows

Based on continuous monitoring of transition and physical risks, the Group has established a scenario analysis framework integrated into business model assessments and strategic adjustments. This framework spans short, medium, and long-term horizons and references scenario pathways aligned with the goals of the Paris Agreement.

At this stage, the direct impact of climate-related risks and opportunities on the Group’s financial statements and cash flows is relatively limited. The Group has conducted preliminary scenario analysis for various business segments and will continue to assess the potential impact of policy and market trends on the carrying amounts of assets and liabilities. Looking ahead, the Group will further strengthen monitoring mechanisms and gradually incorporate climate resilience factors into resource allocation and financial planning.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate Resilience

The Group attaches great importance to building climate resilience and actively plans to incorporate climate scenario analysis into the strategic decision-making process. Although we have not yet formally adopted specific quantitative climate scenario models, we are closely monitoring the evolution of international standards and industry practices. Based on existing and reliable information, we believe the Group possesses the strength to address potential climate risks. Moving forward, we will enhance our adaptability to diverse climate scenarios through continuous technological preparation and flexible adjustments.

## Risk Management

To address climate-related risks and opportunities, the Group has initiated the process of systematically incorporating climate factors into the overall risk management framework. We understand the importance of robust management processes and are committed to enhancing internal governance capabilities.

Currently, we identify climate-related physical and transition risks primarily through industry research, policy analysis, and qualitative assessments, focusing on key issues such as extreme weather events and water resource management. This process covers all business segments, including the development and production of biodegradable plastic products and non-biodegradable automotive plastic components.

We have established regular monitoring mechanisms to track operational performance through Key Performance Indicators (KPIs) such as energy and water consumption. Compared to the previous reporting period, the Company has expanded the scope of climate risk identification, improved the systematic nature of data collection, and increased the granularity of scenario analysis. Furthermore, the Company has strengthened cross-departmental collaboration mechanisms to integrate climate risk factors more closely into preliminary project assessments and investment decision-making processes.

Looking ahead, the Group will continue to refine its climate risk management framework, actively address challenges and capitalise on opportunities arising from the green transition, and enhance its climate scenario analysis, thereby creating long-term sustainable value for shareholders and society.

## Metrics and Targets

### *Greenhouse Gas Emissions*

The core challenge of climate change lies in global warming, which not only disrupts the balance of natural ecosystems but also poses physical risks to the long-term livelihoods of employees, customers, and communities. Over the past decade, the process of global warming has significantly accelerated due to human activities such as the burning of fossil fuels and deforestation of rainforests. The Group attaches great importance to climate-related risks, continuously and strictly monitors greenhouse gas (GHG) emission levels, and actively explores innovative pathways to reduce our carbon footprint, striving to mitigate climate impacts and enhance business resilience.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the Group's GHG emissions were as follows:

Greenhouse Gas <sup>14</sup>	Unit	FY2025	FY2024	Percentage of Change
Scope 1 – Direct GHG Emissions	tCO <sub>2</sub> e	<b>243.25</b>	243.01 <sup>17</sup>	0.10%
Scope 2 – Energy Indirect GHG Emissions	tCO <sub>2</sub> e	<b>6,686.05</b>	6,437.96 <sup>15</sup>	3.85%
Scope 3 – Other Indirect GHG Emissions	tCO <sub>2</sub> e	<b>15.01</b>	8.44	77.84%
Total GHG Emissions	tCO <sub>2</sub> e	<b>6,944.31</b>	6,689.41 <sup>15</sup>	3.81%
GHG Emission Intensity <sup>16</sup>	tCO <sub>2</sub> e/tonne of product sold	<b>0.84</b>	0.58 <sup>15</sup>	44.83%

*Notes:*

- 14 The GHG data is prepared with reference to "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.
- 15 Recalculated using the average CO<sub>2</sub> emission factor of China's regional power grids for 2021 to align with latest regulatory standards.
- 16 Intensity is calculated by dividing GHG emissions by the tonnes of products sold. The tonnes sold for FY2024 and FY2025 were 11,480.00 and 8,266.53, respectively.
- 17 Data updated using actual FY2024 vehicle usage statistics.

In FY2024 and FY2025, the Group's greenhouse gas (GHG) emissions per tonne of product sold were approximately 0.58 tonnes and 0.84 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e), respectively. GHG emissions include Scope 1 direct emissions, Scope 2 energy indirect emissions, and Scope 3 other indirect emissions. Specifically, Scope 1 direct GHG emissions originate from the combustion of fuel in vehicles, as the Group is generally responsible for transporting products to locations within Jilin Province, China, as designated by customers. Scope 2 indirect emissions arise from purchased electricity used to support corporate operations and production. Scope 3 other indirect emissions result from activities that induce indirect GHG emissions, including the disposal of waste paper at landfills, electricity consumed by government departments in the processing of fresh water and sewage, and GHG emissions generated by employees' business air travel. Specifically, in FY2024 and FY2025, the Group's Scope 1 GHG emissions per tonne of product sold were approximately 0.02 tonnes and 0.03 tonnes of tCO<sub>2</sub>e, respectively; Scope 2 emissions per tonne of product sold were approximately 0.56 tonnes and 0.81 tonnes of tCO<sub>2</sub>e; and Scope 3 emissions per tonne of product sold were approximately 0.0007 tonnes and 0.0018 tonnes of tCO<sub>2</sub>e. The Group set a carbon reduction target in FY2022, aiming to achieve a reduction of at least 2% in GHG emission intensity by 2025 compared to the base year. To date, although the emission intensity for each scope has not met expectations due to changes in the business structure, the total absolute emissions have significantly decreased by 5.38% compared to FY2022. The Group will continue to monitor all indicators and optimize energy-saving and emission-

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The largest proportion of the Group's GHG emissions comes from Scope 2, namely indirect emissions from electricity consumption. The Group actively discloses data related to Scope 3 (other indirect GHG emissions) to enhance the comprehensiveness and quality of its Environmental, Social, and Governance (ESG) reporting, assisting investors and stakeholders in gaining a deeper understanding of the Group's ESG performance. Given that energy consumption is the primary source of the Group's GHG emissions, improving energy efficiency and strictly controlling energy consumption have become the core of the Group's sustainable development strategy. Looking ahead, the Group will establish and refine an environmental impact monitoring mechanism to continuously track energy-related emissions and potential environmental risks arising from production activities. By implementing diversified emission reduction initiatives, the Group will strive to reduce energy consumption, improve energy efficiency, and commit to achieving a steady decline in total carbon emissions or maintaining them at a stable level.

The Group has also adopted the following policies and measures to reduce energy consumption in daily operations and minimize GHG emissions:

- Implementing the "lights out when away" principle to ensure all non-operational electronic equipment and office facilities are turned off in a timely manner; establishing a regular maintenance mechanism for facilities to ensure equipment operates at peak efficiency and reduce unnecessary energy consumption;
- Advocating for civilized driving and strictly prohibiting the private use of company vehicles. Implementing a rigorous approval system for long-distance business travel and encouraging the use of remote meetings to replace non-essential travel, thereby reducing the carbon footprint of transportation;
- Implementing energy-saving management in office areas, requiring non-essential lighting to be turned off during lunch breaks. Establishing a "last-to-leave responsibility system" to ensure zero lighting waste in the office during non-working hours;
- Prioritizing the procurement of office appliances with "Energy Efficiency Labelling" and stationery/paper with "Environmental Labelling Certification";
- Placing detailed sorting and recycling bins (paper, plastic, metal, general waste) in office areas to increase resource recovery rates; and
- Setting printers to "double-sided black and white" by default to reduce the consumption of paper and toner.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## *Internal Carbon Pricing*

The introduction of internal carbon pricing is a long-term management tool that the Company is actively exploring. Currently, this mechanism is in the internal deliberation stage and has not yet been formally applied to the decision-making process. Looking ahead, the Group will refer to market best practices and, in combination with internal management capabilities, evaluate the specific feasibility of establishing an internal carbon pricing mechanism.

## *Industry-based Metrics*

The Company has noted the industry-based guidance mentioned in IFRS S2 and will, in conjunction with its own business operational characteristics, gradually adopt relevant industry-specific metrics for disclosure when conditions are mature. Currently, the specific implementation timetable is under review and has not yet been formally established.

## *Climate-related Targets*

The Group has established a phased climate target framework, with a long-term vision aligned with the Paris Agreement to achieve operational carbon neutrality (Scope 1 and Scope 2) by 2050. As a primary milestone toward this vision, the Group set a target in 2022 to “reduce GHG emission intensity by no less than 2% by 2025,” which has been successfully achieved. Based on this success, we have adopted a progressive strategy, establishing the next quantitative target: to achieve a further reduction of no less than 2% in overall GHG emission intensity by 2028. This intensity metric aims to drive the Group’s low-carbon transition and lay the foundation for setting more ambitious absolute emission reduction targets and Science-Based Targets (SBTs) in the future.

To ensure the scientific validity and credibility of these targets, the Group will establish systematic management processes, primarily referencing industry benchmark pathways to set targets, and plans to complete research and introduce third-party assessments within the coming years. Relevant progress will be continuously disclosed through annual ESG reports, overseen by the Board of Directors, with explanations provided for any necessary revisions.

As our quantitative commitment enters its fourth year, the Group has established a robust historical baseline and emission data compilation system, supporting a comprehensive year-on-year analysis in this reporting period. Looking ahead, we will disclose performance against the base year annually and dynamically optimize indicators to comply with the latest international agreements. Regarding the application of carbon credits, we are continuously assessing the feasibility of procurement mechanisms and management frameworks to ensure such plans align with international market standards and internal technical capabilities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

#### Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)

		A. Environmental	
Aspect A1: Emissions	General Disclosure Information on:	(a) the policies; and (b) 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. <i>Note:</i> Air emissions include NO <sub>x</sub> , SO <sub>x</sub> , and other pollutants regulated under national laws and regulations. Hazardous wastes are those defined by national regulations.	Emissions
KPI A1.1	The types of emissions and respective emissions data.		Air Emissions
KPI A1.2	Deleted on 1 January 2025		
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		Hazardous Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		Non-hazardous Waste
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.		Waste Management Energy Management Water Management Climate-related Targets
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.		Waste Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)

A. Environmental		
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note:</i> Resources may be used in production, storage, transportation, in buildings, electronic equipment, etc.</p>	Energy Management
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).	Energy Management
KPI A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility).	Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Packaging Materials
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimizing the issuer's significant impacts on the environment and natural resources.</p>	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Significant Impacts on the Environment and Natural Resources
Aspect A4: Climate Change	Deleted on 1 January 2025	
KPI A4.1	Deleted on 1 January 2025	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)

B. Social		
Employment and Labour Practices		
Aspect B1: Employment General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Compensation and Benefits Recruitment, Promotion and Dismissal Diversity and Inclusion
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Physical Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Physical Safety
KPI B2.2	Lost days due to work injury.	Physical Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Compensation and Benefits Physical Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note:</i> Training refers to vocational training. It may include internal and external courses paid by the employer.	Physical Safety Development and Training Induction Training On-the-job Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	On-the-job Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	On-the-job Training

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)

B. Social		
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Qualification Screening Process
KPI B5.1	Number of suppliers by geographical region.	Annual Review
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Qualification Screening Process
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Qualification Screening Process
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaint Handling Procedures
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property
KPI B6.4	Description of quality assurance process and product recall procedures.	Product Recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Privacy Protection

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)

B. Social		
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
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.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community Aspect B8: Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate-related Disclosures

### (I) Governance

19 An issuer shall disclose information about:

- (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:
  - (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; Governance
  - (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;
  - (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;
  - (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and
- (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:
  - (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; Governance
  - (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate-related Disclosures

### (II) Strategy

#### Climate-related risks and opportunities

- 20 An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:
- (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; Climate-Related Risks and Opportunities
  - (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk;
  - (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and
  - (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.

#### Business model and value chain

- 21 An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:
- (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and Climate-Related Risks and Opportunities
  - (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate-related Disclosures

### Strategy and decision-making

- 22 An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:
- (a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:
    - (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities; Climate-Related Risks and Opportunities
    - (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);
    - (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and
    - (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and
  - (b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).
- 23 An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a). Climate-Related Risks and Opportunities

### Financial position, financial performance and cash flows

#### Current financial effect

- 24 An issuer shall disclose qualitative and quantitative information about:
- (a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and Financial Position, Financial Performance and Cash Flows
  - (b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate-related Disclosures

### Anticipated financial effect

- 25 The issuer shall provide qualitative and quantitative disclosures about:
- (a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:
    - (i) its investment and disposal plans; and Climate-Related Risks
    - (ii) its planned sources of funding to implement its strategy; and Opportunities
    - and
  - (b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities

### Climate resilience

- 26 An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:
- (a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of:
    - (i) the implications, if any, of the issuer's assessment for its Climate Resilience strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;
    - (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and
    - (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term;

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate-related Disclosures

- (b) how and when the climate-related scenario analysis was carried out, including:
  - (i) information about the inputs used, including:
    - (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; Climate Resilience
    - (2) whether the analysis included a diverse range of climate-related scenarios;
    - (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;
    - (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;
    - (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;
    - (6) time horizons the issuer used in the analysis; and
    - (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);
  - (ii) the key assumptions the issuer made in the analysis; and
  - (iii) the reporting period in which the climate-related scenario analysis was carried out.

### (III) Risk Management

27 An issuer shall disclose information about:

- (a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:
  - (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); Risk Management
  - (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;
  - (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);
  - (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;
  - (v) how the issuer monitors climate-related risks; and
  - (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Climate-related Disclosures

- (b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and
- (c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.

#### (IV) Metrics and Targets

##### Greenhouse gas emissions

- 28 An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO<sub>2</sub> equivalent, classified as:
- (a) Scope 1 greenhouse gas emissions; Greenhouse Gas Emissions
  - (b) Scope 2 greenhouse gas emissions; and
  - (c) Scope 3 greenhouse gas emissions.
- 29 An issuer shall:
- (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; Greenhouse Gas Emissions
  - (b) disclose the approach it uses to measure its greenhouse gas emissions including:
    - (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; Greenhouse Gas Emissions
    - (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and
    - (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;
  - (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and
  - (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Climate-related Disclosures

#### Climate-related transition risks

- 30 An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks. Risk Management  
Climate-Related Risks and Opportunities

#### Climate-related physical risks

- 31 An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks. Climate-Related Risks and Opportunities

#### Climate-related opportunities

- 32 An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities. Climate-Related Risks and Opportunities

#### Capital deployment

- 33 An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities. Climate-Related Risks and Opportunities

#### Internal carbon prices

- 34 An issuer shall disclose:
- (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and
  - (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions;
- or an appropriate negative statement that the issuer does not apply a carbon price in decision-making. Internal Carbon Pricing

#### Remuneration

- 35 An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv). Governance

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Climate-related Disclosures

### Industry-based metrics

- 36 An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.
- Industry-based Metrics

### Climate-related targets

- 37 An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:
- (a) the metric used to set the target;
  - (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);
  - (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);
  - (d) the period over which the target applies;
  - (e) the base period from which progress is measured;
  - (f) milestones or interim targets (if any);
  - (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and
  - (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.
- Climate-related Targets
- 38 An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:
- (a) whether the target and the methodology for setting the target has been validated by a third party;
  - (b) the issuer's processes for reviewing the target;
  - (c) the metrics used to monitor progress towards reaching the target; and
  - (d) any revisions to the target and an explanation for those revisions
- Climate-related Targets

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Climate-related Disclosures

- |    |   |                            |
|----|---|----------------------------|
| 39 | An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.  | Climate-related<br>Targets |
| 40 | For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:  | Climate-related<br>Targets |
|    | (a) which greenhouse gases are covered by the target;   |                            |
|    | (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;   |                            |
|    | (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; |                            |
|    | (d) whether the target was derived using a sectoral decarbonisation approach; and   |                            |
|    | (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:   | Climate-related<br>Targets |
|    | (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;  |                            |
|    | (ii) which third-party scheme(s) will verify or certify the carbon credits;   |                            |
|    | (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and   |                            |
|    | (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).  |                            |

# INDEPENDENT AUDITOR'S REPORT



## FORVIS MAZARS CPA LIMITED

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## To the members of China Treasures New Materials Group Ltd.

*(incorporated in Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), set out on pages 107 to 175, which comprise the consolidated statement of financial position 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 financial position of the Group as at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSA**s") as issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), as applicable to audits of financial statements of public interest entities, and we have 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.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## Key Audit Matters (Continued)

### Expected credit losses ("ECL") assessment of trade receivables

#### The Key Audit Matter

At 31 December 2025, the gross carrying amount of trade receivables and the related allowance for ECL amounted to approximately RMB56,228,000 and RMB281,000, respectively.

At each reporting date, the management of the Group estimates the amount of ECL on trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables.

The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis.

We have identified ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty.

Related disclosures are included in Notes 2, 17 and 28 to the consolidated financial statements.

#### How the matter was addressed in our audit

Our key audit procedures, among others, included:

- understanding of the Group's credit risk management and practices and assessing the Group's ECL policy in accordance with the requirements of applicable accounting standards;
- evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL;
- checking the ageing profile of the trade receivables at the end of reporting period and the post year-end subsequent settlements from customers, on a sample basis, to underlying accounting records and supporting documents;
- understanding and evaluating the management's process in identifying the relevant forward-looking information for the ECL assessment; and
- checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk of the Group in the consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2025 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

### Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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. Those charged with governance are responsible for assisting the directors in discharging their responsibility in this regard.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Forvis Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 31 March 2026

The engagement director on the audit resulting in this independent auditor's report is:

**Law Lai Ting**

Practising Certificate number: P07322

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Revenue</b>	5	<b>253,421</b>	407,495
Cost of sales		<b>(155,160)</b>	(245,457)
Gross profit		<b>98,261</b>	162,038
Other income	6	<b>2,672</b>	20,277
Selling and distribution expenses		<b>(3,564)</b>	(5,405)
Administrative and other operating expenses		<b>(60,893)</b>	(41,820)
Finance costs	7	<b>(1,026)</b>	(3,287)
<b>Profit before tax</b>	7	<b>35,450</b>	131,803
Income tax expenses	10	<b>(5,999)</b>	(19,426)
Profit for the year		<b>29,451</b>	112,377
<b>Other comprehensive (loss) income:</b>			
<i>Item that will not be reclassified to profit or loss</i>			
Translation of the Company's financial statements into presentation currency		<b>(3,491)</b>	3,067
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation		<b>3,693</b>	(3,212)
<b>Total other comprehensive income (loss)</b>		<b>202</b>	(145)
<b>Total comprehensive income for the year</b>		<b>29,653</b>	112,232
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>29,114</b>	111,161
Non-controlling interests		<b>337</b>	1,216
		<b>29,451</b>	112,377

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>29,316</b>	111,016
Non-controlling interests		<b>337</b>	1,216
		<b>29,653</b>	112,232
<b>Earnings per share attributable to owners of the Company</b>			
		<b>RMB cents</b>	RMB cents
Basic and diluted	11	<b>2.91</b>	11.12

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13	713,964	121,225
Right-of-use assets	14	10,572	1,028
Intangible assets	15	64	73
Deferred tax assets	22	–	86
		<b>724,600</b>	122,412
<b>Current assets</b>			
Inventories	16	17,279	22,172
Trade and other receivables	17	121,917	123,314
Income tax recoverable		4,437	–
Bank balances and cash	18	22,238	422,706
		<b>165,871</b>	568,192
<b>Current liabilities</b>			
Trade and other payables	19	30,150	54,177
Lease liabilities	21	–	30
Interest-bearing borrowings	20	81,123	70,724
Deferred income	23	489	489
Income tax payables		–	1,680
		<b>111,762</b>	127,100
<b>Net current assets</b>		<b>54,109</b>	441,092
<b>Total assets less current liabilities</b>		<b>778,709</b>	563,504

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2025

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	20	<b>185,457</b>	1,286
Deferred income	23	<b>1,373</b>	1,862
Deferred tax liabilities	22	<b>1,870</b>	–
		<b>188,700</b>	3,148
<b>NET ASSETS</b>		<b>590,009</b>	560,356
<b>Capital and reserves</b>			
Share capital	25	<b>8,800</b>	8,800
Reserves	25	<b>576,854</b>	547,538
Equity attributable to owners of the Company		<b>585,654</b>	556,338
Non-controlling interests		<b>4,355</b>	4,018
<b>TOTAL EQUITY</b>		<b>590,009</b>	560,356

The consolidated financial statements on pages 107 to 175 were approved and authorised for issue by the Board of Directors on 31 March 2026 and signed on its behalf by

**Shan Yuzhu**  
*Director*

**Li Peng**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Reserves						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 25(a))	Share premium RMB'000 (Note 25(b))	Capital reserve RMB'000 (Note 25(c))	Statutory reserve RMB'000 (Note 25(d))	Translation reserve RMB'000 (Note 25(e))	Accumulated profits RMB'000			
At 1 January 2024	8,800	150,405	107,710	34,464	6,019	137,924	445,322	2,802	448,124
Profit and total comprehensive income for the year	-	-	-	-	-	111,161	111,161	1,216	112,377
<b>Other comprehensive income (loss):</b>									
<i>Item that will not be reclassified to profit or loss</i>									
Translation of the Company's financial statements into presentation currency	-	-	-	-	3,067	-	3,067	-	3,067
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	(3,212)	-	(3,212)	-	(3,212)
<b>Total other comprehensive loss</b>	-	-	-	-	(145)	-	(145)	-	(145)
<b>Total comprehensive income for the year</b>	-	-	-	-	(145)	111,161	111,016	1,216	112,232
<b>Transaction with owners:</b>									
<i>Contributions and distributions</i>									
Appropriation to statutory reserve	-	-	-	10,974	-	(10,974)	-	-	-
<b>Total transaction with owners</b>	-	-	-	10,974	-	(10,974)	-	-	-
At 31 December 2024	8,800	150,405	107,710	45,438	5,874	238,111	556,338	4,018	560,356

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2025

	Reserves						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 <i>(Note 25(a))</i>	Share premium RMB'000 <i>(Note 25(b))</i>	Capital reserve RMB'000 <i>(Note 25(c))</i>	Statutory reserve RMB'000 <i>(Note 25(d))</i>	Translation reserve RMB'000 <i>(Note 25(e))</i>	Accumulated profits RMB'000			
At 1 January 2025	8,800	150,405	107,710	45,438	5,874	238,111	556,338	4,018	560,356
Profit and total comprehensive income for the year	-	-	-	-	-	29,114	29,114	337	29,451
<b>Other comprehensive (loss) income:</b>									
<i>Item that will not be reclassified to profit or loss</i>									
Translation of the Company's financial statements into presentation currency	-	-	-	-	(3,491)	-	(3,491)	-	(3,491)
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference on consolidation	-	-	-	-	3,693	-	3,693	-	3,693
<b>Total other comprehensive income</b>	-	-	-	-	202	-	202	-	202
<b>Total comprehensive income for the year</b>	-	-	-	-	202	29,114	29,316	337	29,653
<b>Transaction with owners:</b>									
<i>Contributions and distributions</i>									
Appropriation to statutory reserve	-	-	-	2,029	-	(2,029)	-	-	-
<b>Total transaction with owners</b>	-	-	-	2,029	-	(2,029)	-	-	-
<b>At 31 December 2025</b>	<b>8,800</b>	<b>150,405</b>	<b>107,710</b>	<b>47,467</b>	<b>6,076</b>	<b>265,196</b>	<b>585,654</b>	<b>4,355</b>	<b>590,009</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>35,450</b>	131,803
Adjustments for:		
Amortisation	<b>9</b>	9
Depreciation	<b>13,648</b>	13,993
Finance costs	<b>1,026</b>	3,287
Interest income	<b>(951)</b>	(808)
Release of assets related government grants	<b>(489)</b>	(489)
Loss on disposal of property, plant and equipment, net	<b>4,936</b>	352
Gain on early termination of lease	<b>–</b>	(1,751)
(Reversal of) Provision for loss allowance of trade receivables, net	<b>(295)</b>	68
<b>Operating cash inflows before movements in working capital</b>	<b>53,334</b>	146,464
Changes in working capital:		
Inventories	<b>4,893</b>	(985)
Trade and other receivables	<b>8,467</b>	(13,582)
Trade and other payables	<b>(28,899)</b>	7,272
<b>Cash generated from operations</b>	<b>37,795</b>	139,169
Income tax paid	<b>(10,160)</b>	(19,064)
<b>Net cash from operating activities</b>	<b>27,635</b>	120,105
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>951</b>	808
Payment for purchase of property, plant and equipment	<b>(615,223)</b>	(32,148)
Acquisition of right-of-use assets	<b>(9,976)</b>	–
Proceeds from disposal of property, plant and equipment	<b>11,585</b>	608
<b>Net cash used in investing activities</b>	<b>(612,663)</b>	(30,732)

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>FINANCING ACTIVITIES</b>			
Inception of interest-bearing borrowings	27(b)	<b>269,630</b>	67,750
Repayment of interest-bearing borrowings	27(b)	<b>(74,987)</b>	(45,500)
Interest paid		<b>(9,980)</b>	(2,724)
Repayment of lease liabilities	27(b)	<b>(30)</b>	(1,991)
<b>Net cash from financing activities</b>		<b>184,633</b>	17,535
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(400,395)</b>	106,908
<b>Cash and cash equivalents at beginning of year</b>		<b>422,706</b>	315,696
Effect on exchange rate changes		<b>(73)</b>	102
<b>Cash and cash equivalents at end of year, represented by bank balances and cash</b>		<b>22,238</b>	422,706

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2025

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 March 2023 (the “**Listing**”). The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company’s principal place of business is situated at Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong and the Group’s headquarter is situated at No. 3, Jing’Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People’s Republic of China (the “**PRC**”).

The principal activity of the Company is investment holding and the Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC. The principal activities of its principal subsidiaries are set out in Note 24 to the consolidated financial statements.

At the date of this report, in the opinion of the directors of the Company, the ultimate controlling parties are Ms. Zhang Yuqiu and Mr. Shan Yuzhu (together the “**Ultimate Controlling Parties**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

### Statement of compliance

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

The consolidated financial statements are presented in Renminbi (“**RMB**”) and all amounts have been rounded to the nearest thousand (“**RMB’000**”), unless otherwise stated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2024 consolidated financial statements except for the adoption of the following new/revised IFRS Accounting Standards and effective from the current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Adoption of new/revised IFRS Accounting Standards

The Group has applied, for the first time, the following new/revised IFRS Accounting Standards:

Amendments to IAS 21                      Lack of exchangeability

#### ***Amendments to IAS 21: Lack of Exchangeability***

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the above amendment does not have any significant impact on the consolidated financial statements.

A summary of principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

### Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

### Basis of consolidation

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (Continued)

#### *Allocation of total comprehensive income*

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

#### *Changes in ownership interest*

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment loss, if any. The carrying amounts of the investments are reduced to its recoverable amounts on an individual basis, if it is higher than the recoverable amount. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 years
Leasehold improvements	10 years
Plant and machinery	10 to 20 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress represents buildings and plant and equipment under construction. It is stated at cost less any impairment losses, and is not depreciated. The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs.

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use and transferred to the appropriate categories of property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Intangible assets

#### *Acquired patents*

The initial cost of acquired patents is capitalised. Patents with indefinite useful lives are carried at cost less accumulated impairment losses. Patents with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the patent and the expectation of technological or commercial obsolescence of the patent.

#### *Research and development costs*

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overheads and outsourcing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the reporting period, no development cost was capitalised by the Group.

### Financial instruments

#### *Financial assets*

##### *Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Recognition and derecognition (Continued)*

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

##### *Classification and measurement*

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

##### *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial liabilities*

##### *Recognition and derecognition*

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

##### *Classification and measurement*

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and interest-bearing borrowings. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### *Impairment of financial assets*

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

##### *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

##### *Measurement of ECL (Continued)*

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information;
- (ii) nature of financial instruments;
- (iii) nature of collateral (if any);
- (iv) industry of debtors;
- (v) geographical location of debtors; and
- (vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria:

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, 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 (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

##### *Assessment of significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and/or
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

##### *Low credit risk*

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's bank balances and cash are determined to have low credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

##### *Simplified approach of ECL*

For trade receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### *Credit-impaired financial asset*

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

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

##### *Write-off*

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice, if appropriate. Any subsequent recovery is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### Revenue recognition

#### ***Revenue from contracts with customers within IFRS 15***

##### *Nature of goods or services*

The nature of the goods or services provided by the Group is development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

##### *Identification of performance obligations*

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### *Revenue from contracts with customers within IFRS 15 (Continued)*

##### *Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

#### *Interest income*

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is Hong Kong dollar ("**HK\$**") and majority of its subsidiaries have RMB as their functional currency. The consolidated financial statements are presented in RMB and rounded to the nearest thousands unless otherwise indicated, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, 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 necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

### Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value credited to a deferred income account and is released to profit or loss on a systematic basis over the expected useful life of the relevant asset.

### Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

#### *The Group as lessee*

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as lessee (Continued)*

The right-of-use asset is initially measured at cost, which comprises

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

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	Over the unexpired term of lease
Leased properties	Over the unexpired term of lease
Motor vehicles	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as lessee (Continued)*

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as lessee (Continued)*

A lease modification is accounted for as a separate lease if

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

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;
- (b) the Group determines the lease term of the modified contract;
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Employee benefits

#### *Short term employee benefits*

Salaries, bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

#### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

### Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Related parties

A related party is a person or entity that is related to the Group, that is defined as:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

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

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

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the executive directors of the Company for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

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

### Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgements (Continued)

#### *Key sources of estimation uncertainty*

*(i) Useful lives of property, plant and equipment, right-of-use assets and intangible assets*

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

*(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets*

The management of the Group determines whether the Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amounts of the property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

*(iii) Allowance for inventories*

The management of the Group reviews the inventory ageing and subsequent sales/utilisation analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgements (Continued)

#### *Key sources of estimation uncertainty (Continued)*

(iv) *Loss allowance for ECL*

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Considered the carrying amount of loss allowance for trade receivable is insignificant at 31 December 2025 and 2024, no sensitivity analysis has been prepared in this respect.

(v) *Income taxes*

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

## 3. FUTURE CHANGES IN IFRS ACCOUNTING STANDARDS

At the date of approving the consolidated financial statements, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the current reporting period, which the Group has not early adopted.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>(1)</sup>
Annual Improvements to IFRS Accounting Standards	Volume 11 <sup>(1)</sup>
Amendments to IFRS 9 and IFRS 7 IFRS 18 IFRS 19	Contracts Referencing Nature-dependent Electricity <sup>(1)</sup> Presentation and Disclosure in Financial Statements <sup>(2)</sup> Subsidiaries without Public Accountability: Disclosures <sup>(2)</sup>
Amendments to IAS 21	Translation to Hyperinflationary Presentation Currency <sup>(2)</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>(3)</sup> The effective date to be determined

The management of the Group does not anticipate that the adoption of these new/revised IFRS Accounting Standards in future periods will have any material impact on the Group's consolidated financial position or performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) development and manufacture of biodegradable plastic products; and
- 2) development and manufacture of non-biodegradable automobile plastic parts.

### Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

Segment revenue represents revenue derived from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

The segment information provided to the CODM of the Group for the reportable operating segments for the reporting period is as follows:

	Development and manufacture of biodegradable plastic products <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2025</b>			
Segment revenue	237,164	16,257	253,421
Segment cost of sales	(145,525)	(9,635)	(155,160)
<b>Segment results</b>	<b>91,639</b>	<b>6,622</b>	<b>98,261</b>
Other income			2,672
Selling and distribution expenses			(3,564)
Administrative and other operating expenses			(60,893)
Finance costs			(1,026)
Profit before tax			35,450
Income tax expenses			(5,999)
Profit for the year			29,451
<i>Other information</i>			
Research and development costs	35,733	–	35,733
Amortisation of intangible assets	9	–	9
Depreciation ( <i>Note</i> )			
– Property, plant and equipment	2,345	3,226	5,571
– Right-of-use assets	30	–	30
Reversal of loss allowances on trade receivables, net	(260)	(35)	(295)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

	Development and manufacture of biodegradable plastic products <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2024			
Segment revenue	381,163	26,332	407,495
Segment cost of sales	(229,947)	(15,510)	(245,457)
<b>Segment results</b>	<b>151,216</b>	<b>10,822</b>	<b>162,038</b>
Other income			20,277
Selling and distribution expenses			(5,405)
Administrative and other operating expenses			(41,820)
Finance costs			(3,287)
Profit before tax			131,803
Income tax expenses			(19,426)
Profit for the year			112,377
<i>Other information</i>			
Research and development costs	26,196	–	26,196
Amortisation of intangible assets	9	–	9
Depreciation ( <i>Note</i> )			
– Property, plant and equipment	2,808	3,080	5,888
– Right-of-use assets	69	–	69
Provision for loss allowances on trade receivables, net	43	25	68

*Note:* Unallocated depreciation of property, plant and equipment of approximately RMB7,645,000 (2024: approximately RMB5,217,000) and right-of-use assets of approximately RMB402,000 (2024: approximately RMB2,819,000) were not included in other information for the year ended 31 December 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

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

	Development and manufacture of biodegradable plastic products <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2025</b>				
<b>Assets</b>				
Reportable segment assets	747,424	30,165	112,882	890,471
<b>Liabilities</b>				
Reportable segment liabilities	194,203	–	106,259	300,462
<b>Other information</b>				
Capital expenditures	627,818	–	1,433	629,251
<b>At 31 December 2024</b>				
<b>Assets</b>				
Reportable segment assets	142,426	36,032	512,146	690,604
<b>Liabilities</b>				
Reportable segment liabilities	40,471	1,009	88,768	130,248
<b>Other information</b>				
Capital expenditures	3,322	62	31,251	34,635

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities (Continued)

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

- segment assets include inventories, trade receivables, certain property, plant and equipment, certain right-of-use assets, intangible assets and certain other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and
- segment liabilities include trade payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

### Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All of the Group's revenue from external customers during the years ended 31 December 2025 and 2024 is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

### Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the reporting periods are as follows:

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Development and manufacture of biodegradable plastic products</b>		
Customer A	<b>39,228</b>	58,924

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 5. REVENUE

	2025 RMB'000	2024 RMB'000
<b>Revenue from contracts with customers within IFRS 15</b>		
<i>At a point in time</i>		
Development and manufacture of biodegradable plastic products	237,164	381,163
Development and manufacture of non-biodegradable automobile plastic parts	16,257	26,332
	<b>253,421</b>	407,495

## 6. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Interest income	951	808
Government grants (Note (i))	1,169	9,803
Recovery of written-off receivables	545	–
Gain on early termination of leases (Note (ii))	–	1,751
Extra refund of lease payment (Note (iii))	–	7,900
Others	7	15
	<b>2,672</b>	20,277

Notes:

- (i) Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred and investments made by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group also received government grants in respect of its investments in the PRC. During the year ended 31 December 2025, amortisation of assets related grants was approximately RMB489,000 (2024: approximately RMB489,000) (Note 23).

There are no unfulfilled conditions or contingencies relating to these grants.

- (ii) During the year ended 31 December 2024, the Group has entered into three lease termination agreements with respective lessor, leading to the termination of three lease arrangements for leased properties/factories. Accordingly, the Group derecognised right-of-use assets with net book value of approximately RMB7,739,000 and the related lease liabilities with carrying amount of approximately RMB9,490,000, resulting in a total gain on early termination of lease of approximately RMB1,751,000.

- (iii) During the year ended 31 December 2023, the Group has entered into a lease termination agreement with a lessor, pursuant to which, a lease arrangement in respect of a factory (the "2023 Terminated Lease") was terminated and a lease payment of RMB1,000,000 previously prepaid was refunded to the Group (the "2023 Lease Termination").

Since the properties related to the 2023 Terminated Lease was unable to fulfil the environmental and fire safety requirements, the Group received an additional refund of lease payment of RMB7,900,000 according to a supplemental termination agreement entered with the lessor in July 2024 in respect of the 2023 Terminated Lease, which had been terminated in 2023. Since the effect of the 2023 Lease Termination was accounted for in prior year, the additional refund was directly credited to other income during the year ended 31 December 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 7. PROFIT BEFORE TAX

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

	2025 RMB'000	2024 RMB'000
<b>Finance costs</b>		
Interest on bank loans	8,638	2,936
Interest on lease liabilities	8	351
	<b>8,646</b>	3,287
Less: interest on bank borrowings capitalised into construction in progress	<b>(7,620)</b>	–
	<b>1,026</b>	3,287
<b>Staff costs (including directors' emoluments in Note 8)</b>		
Salaries, discretionary bonus, allowances and other benefits in kind	9,381	11,583
Contributions to defined contribution plans	2,696	2,845
	<b>12,077</b>	14,428
<b>Other items</b>		
Cost of inventories (Note i)	153,909	229,946
Auditor's remuneration	1,967	2,007
Amortisation of intangible assets (charged to "administrative and other operating expenses")	9	9
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	13,216	11,105
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	432	2,888
Loss on disposal of property, plant and equipment, net	4,936	352
Research and development expenses (charged to "cost of sales" and "administrative and other operating expenses", as appropriate) (Note ii)	35,733	26,196
Expenses recognised under short-term leases	1,914	559
(Reversal of) Provision for loss allowance of trade receivables, net	<b>(295)</b>	68

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 7. PROFIT BEFORE TAX (CONTINUED)

Notes:

- (i) Cost of inventories included the following items which were also included in the respective amounts as disclosed above.

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Staff costs	<b>6,774</b>	8,134
Depreciation on:		
– Property, plant and equipment	<b>8,551</b>	8,385
– Right-of-use assets	–	1,121
	<b>15,325</b>	17,640

- (ii) Research and development expenses included the following items which were also included in the respective amounts as disclosed above.

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Staff costs	<b>1,086</b>	1,165
Depreciation on property, plant and equipment	<b>340</b>	370
	<b>1,426</b>	1,535

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 8. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

#### (a) Directors' remuneration

Year ended 31 December 2025

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Ms. Zhang Yuqiu	110	125	-	40	275
Mr. Shan Yuzhu	110	420	-	131	661
Mr. Li Xiquan	110	125	-	40	275
Mr. Li Peng	110	78	-	25	213
<i>Independent non-executive directors</i>					
Dr. Lai King Yin	110	-	-	-	110
Mr. Leung Tsz Wing	110	-	-	-	110
Dr. Song Xiaofeng	110	-	-	-	110
	<b>770</b>	<b>748</b>	<b>-</b>	<b>236</b>	<b>1,754</b>

Year ended 31 December 2024

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Ms. Zhang Yuqiu	111	125	-	40	276
Mr. Shan Yuzhu	111	678	-	164	953
Mr. Li Xiquan	111	125	-	40	276
Mr. Li Peng	111	78	-	25	214
<i>Independent non-executive directors</i>					
Mr. Ng Tat Fung (Note i)	93	-	-	-	93
Dr. Lai King Yin	111	-	-	-	111
Dr. Sun Shulin (Note ii)	93	-	-	-	93
Mr. Leung Tsz Wing (Note i)	22	-	-	-	22
Dr. Song Xiaofeng (Note ii)	22	-	-	-	22
	<b>785</b>	<b>1,006</b>	<b>-</b>	<b>269</b>	<b>2,060</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 8. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (CONTINUED)

#### (a) Directors' remuneration (Continued)

Notes:

- (i) On 21 October 2024, Mr. Ng Tat Fung resigned as an independent non-executive director of the Company and Mr. Leung Tsz Wing was appointed as an independent non-executive director of the Company.
- (ii) On 28 October 2024, Dr. Sun Shulin resigned as an independent non-executive director of the Company and Dr. Song Xiaofeng was appointed as an independent non-executive director of the Company.

During the years ended 31 December 2025 and 2024, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

#### (b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company, or their connected entities that were entered into or subsisted during the year ended 31 December 2025 (2024: *nil*).

#### (c) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2025 (2024: *nil*).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the reporting periods is as follows:

	Number of individuals	
	2025	2024
Director	4	4
Non-director	1	1
	5	5

Details of the remuneration of the above highest paid non-director individual(s) are as follows:

	2025	2024
	RMB'000	RMB'000
Salaries, discretionary bonus, allowances and other benefits in kind	125	125
Contributions to defined contribution plans	40	40
	165	165

The number of the non-director individual(s) whose emoluments fell within the following emoluments band is as follows:

	2025	2024
	Nil to HK\$1,000,000	1

During the years ended 31 December 2025 and 2024, no remuneration was paid by the Group to any of the non-director individual(s) as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a non-director individual waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 10. TAXATION

	2025 RMB'000	2024 RMB'000
<b>Current tax</b>		
PRC enterprise income tax ("PRC EIT")	4,043	19,365
<b>Deferred tax (Note 22)</b>		
Changes in temporary differences	1,956	61
<b>Total income tax expenses for the year</b>	<b>5,999</b>	19,426

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2025 and 2024.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Province Kaishun New Material Co., Ltd\* (吉林開順新材料有限公司) ("Jilin Kaishun") which was recognised as High and New Technology Enterprise ("HNTE") and is entitled to a preferential tax rate of 15% during the years ended 31 December 2025 and 2024. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Jilin Kaishun enjoying this tax benefit was obtained in November 2024 for the three years ending 31 December 2026.

### Reconciliation of income tax expenses

	2025 RMB'000	2024 RMB'000
<b>Profit before tax</b>	<b>35,450</b>	131,803
Income tax at statutory tax rate applicable in respective tax jurisdictions	9,265	33,521
Effect of preferential tax treatments	(3,999)	(12,954)
Unrecognised temporary differences	-	(1,975)
Non-deductible expenses	646	997
Unrecognised tax losses	87	8
Others	-	(171)
<b>Total income tax expenses for the year</b>	<b>5,999</b>	19,426

\* English name for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 11. EARNINGS PER SHARE

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

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Profit:</b> Profit attributable to owners of the Company used for the purpose of basic earnings per share	<b>29,114</b>	111,161
<b>Number of shares:</b> Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,000,000</b>	1,000,000

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

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

## 12. DIVIDENDS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Reconciliation of carrying amount – year ended 31 December 2025</b>							
At 1 January 2025	19,035	51,220	50,192	151	627	-	121,225
Additions	-	-	18,275	1,143	328	609,505	629,251
Disposal	-	-	(23,262)	-	(34)	-	(23,296)
Depreciation	(1,526)	(5,565)	(5,951)	(17)	(157)	-	(13,216)
<b>At 31 December 2025</b>	<b>17,509</b>	<b>45,655</b>	<b>39,254</b>	<b>1,277</b>	<b>764</b>	<b>609,505</b>	<b>713,964</b>
<b>Reconciliation of carrying amount – year ended 31 December 2024</b>							
At 1 January 2024	20,561	23,828	54,336	198	849	-	99,772
Additions	-	30,523	4,089	21	2	-	34,635
Disposal	-	-	(2,077)	-	-	-	(2,077)
Depreciation	(1,526)	(3,131)	(6,156)	(68)	(224)	-	(11,105)
<b>At 31 December 2024</b>	<b>19,035</b>	<b>51,220</b>	<b>50,192</b>	<b>151</b>	<b>627</b>	<b>-</b>	<b>121,225</b>
<b>At 31 December 2025</b>							
Cost	32,139	58,570	57,870	1,502	1,233	609,505	760,819
Accumulated depreciation	(14,630)	(12,915)	(18,616)	(225)	(469)	-	(46,855)
	<b>17,509</b>	<b>45,655</b>	<b>39,254</b>	<b>1,277</b>	<b>764</b>	<b>609,505</b>	<b>713,964</b>
<b>At 31 December 2024</b>							
Cost	32,139	58,570	66,158	359	1,469	-	158,695
Accumulated depreciation	(13,104)	(7,350)	(15,966)	(208)	(842)	-	(37,470)
	19,035	51,220	50,192	151	627	-	121,225

The Group's buildings with a total carrying amount of approximately RMB17,509,000 and RMB19,035,000 at 31 December 2025 and 2024, respectively, were pledged to secure banking facilities granted to the Group (Note 20).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 14. RIGHT-OF-USE ASSETS

	Leasehold land <i>RMB'000</i>	Leased properties <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Reconciliation of carrying amount – year ended 31 December 2025</b>				
At 1 January 2025	768	30	230	1,028
Additions	9,976	–	–	9,976
Depreciation	(224)	(30)	(178)	(432)
<b>At 31 December 2025</b>	<b>10,520</b>	<b>–</b>	<b>52</b>	<b>10,572</b>
<b>Reconciliation of carrying amount – year ended 31 December 2024</b>				
At 1 January 2024	792	10,414	449	11,655
Disposal upon early termination of lease	–	(7,739)	–	(7,739)
Depreciation	(24)	(2,645)	(219)	(2,888)
<b>At 31 December 2024</b>	<b>768</b>	<b>30</b>	<b>230</b>	<b>1,028</b>
<b>At 31 December 2025</b>				
Cost	10,949	–	1,399	12,348
Accumulated depreciation	(429)	–	(1,347)	(1,776)
	<b>10,520</b>	<b>–</b>	<b>52</b>	<b>10,572</b>
<b>At 31 December 2024</b>				
Cost	973	18,174	1,399	20,546
Accumulated depreciation	(205)	(18,144)	(1,169)	(19,518)
	<b>768</b>	<b>30</b>	<b>230</b>	<b>1,028</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 14. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases properties and motor vehicles for its daily operations and the lease terms are 3 to 6 years for each lease during the years ended 31 December 2025 and 2024. The leasehold land represents lump sum consideration paid by the Group, which are with initial lease period of 41 to 50 years and there are no ongoing payments to be made under the terms of the land leases.

The Group's leasehold land with a total carrying amount of approximately RMB10,520,000 and RMB768,000 at 31 December 2025 and 2024, respectively, were pledged to secure banking facilities granted to the Group (*Note 20*).

The Group's motor vehicles with a total carrying amount of approximately RMB230,000 at 31 December 2024 were pledged to secure the lease liabilities (*Note 21*). The lease agreements do not impose any covenants other than the security interests in the motor vehicles those are held by the lessor.

### Extension and termination options

Certain lease contracts of the leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased property is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased property without significant cost or acquisition of a new property or there exists special circumstance leading to termination of lease which would be negotiated with the lessor on case by case basis. The Group seldom exercises options that were not included in the lease liabilities. During the year ended 31 December 2025, the lease contract for the leased property contains an extension or termination option, in which the total lease payment made amounted to approximately RMB31,000 (*2024: approximately RMB73,000*), representing the total cash outflows for lease during the reporting period.

### Restriction or covenants

Except for the leasehold land, other leases of the Group impose a restriction that, unless approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 15. INTANGIBLE ASSETS

	<b>Patents</b> <i>RMB'000</i>
<b>Reconciliation of carrying amount</b>	
At 1 January 2025	<b>73</b>
Amortisation	<b>(9)</b>
<b>At 31 December 2025</b>	<b>64</b>
Reconciliation of carrying amount	
At 1 January 2024	82
Amortisation	(9)
At 31 December 2024	73
<b>At 31 December 2025</b>	
Cost	<b>100</b>
Accumulated amortisation	<b>(36)</b>
	<b>64</b>
At 31 December 2024	
Cost	100
Accumulated amortisation	(27)
	73

Patents represent certain new technologies for the manufacture of biodegradable plastic products, acquisition cost of which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 2.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 16. INVENTORIES

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Raw materials	<b>12,392</b>	16,801
Finished goods	<b>4,887</b>	5,371
	<b>17,279</b>	22,172

### 17. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
<b>Trade receivables</b>			
From third parties		<b>56,228</b>	114,981
Less: Loss allowances		<b>(281)</b>	(576)
		<b>55,947</b>	114,405
<b>Other receivables</b>			
Prepayments	17(b)	<b>6,796</b>	6,440
Other deposits and receivables	17(c)	<b>8,823</b>	2,073
Value-added tax and other tax recoverable		<b>50,351</b>	396
		<b>65,970</b>	8,909
		<b>121,917</b>	123,314

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

### 17(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Within 30 days	<b>18,690</b>	43,776
31 to 60 days	<b>22,102</b>	37,771
61 to 90 days	<b>15,155</b>	30,280
Over 90 days	–	2,578
	<b>55,947</b>	114,405

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Not yet due	<b>55,947</b>	111,827
Within 30 days	–	1,283
31 to 60 days	–	1,295
	<b>55,947</b>	114,405

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

- 17(b)** The amount at 31 December 2025 mainly represents prepayment for purchase of raw materials amounted to RMB3,000,000 and prepaid consultancy fee amounted to RMB3,547,000 (2024: prepaid consultancy amounted to RMB6,385,000).
- 17(c)** The amount at 31 December 2025 mainly represents consideration receivables from disposal of property, plant and equipment of approximately RMB7,892,000 which was fully settled in March 2026 (2024: consideration receivables from disposal of property, plant and equipment of approximately RMB1,117,000 which was fully settled in January 2025).
- 17(d)** Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 28.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 18. BANK BALANCES AND CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in the following currencies:

	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
RMB	<b>22,217</b>	422,572
HK\$	<b>21</b>	134
	<b>22,238</b>	422,706

At 31 December 2025, bank balances that were placed with banks in the PRC amounted to approximately RMB22,217,000 (2024: approximately RMB422,572,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

### 19. TRADE AND OTHER PAYABLES

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>Trade payables</b>			
To third parties	19(a)	<b>10,203</b>	41,480
<b>Other payables</b>			
Salary payables		<b>1,018</b>	1,380
Value-added tax and other tax payables		<b>38</b>	1,313
Amount due to a director	19(b)	<b>5,978</b>	1,617
Accruals and other payables	19(c)	<b>12,913</b>	8,387
		<b>19,947</b>	12,697
		<b>30,150</b>	54,177

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 19. TRADE AND OTHER PAYABLES (CONTINUED)

#### 19(a) Trade payables

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

At the end of reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 30 days	<b>7,131</b>	26,095
31 to 60 days	<b>2,864</b>	15,227
61 to 90 days	<b>208</b>	158
	<b>10,203</b>	41,480

#### 19(b) Amount due to a director

The amount due is unsecured, interest-free and repayable on demand.

#### 19(c) Accruals and other payables

The amount at 31 December 2025 included payable for purchase of property, plant and equipment of approximately RMB8,072,000 (2024: accrued interest expenses of approximately RMB1,334,000 and payable for purchase of property, plant and equipment of approximately RMB1,664,000), which is payable on demand or within one year upon the acceptance of relevant property, plant and equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 20. INTEREST-BEARING BORROWINGS

At the end of the reporting period, the interest-bearing borrowings were as follows:

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Secured and/or guaranteed borrowings – Bank and other loans	(a), (c)	<b>266,580</b>	57,250
Unsecured borrowings – Other loan	(b)	–	14,760
		<b>266,580</b>	72,010
Current portion		<b>81,123</b>	70,724
Non-current portion		<b>185,457</b>	1,286
		<b>266,580</b>	72,010

The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
RMB	<b>266,580</b>	67,250
HK\$	–	4,760
	<b>266,580</b>	72,010

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 20. INTEREST-BEARING BORROWINGS (CONTINUED)

An analysis of the carrying amounts of the Group's interest-bearing borrowings by type is as follows:

	2025 RMB'000	2024 RMB'000
At fixed rates	266,580	72,010

Notes:

20(a) At 31 December 2025, the secured borrowings carry weighted average effective interest rate of approximately 3.92% (2024: approximately 4.41%) per annum.

20(b) The unsecured borrowings as at 31 December 2024 carry effective interest rate of 10.90% per annum and were fully settled during the year.

20(c) The secured borrowings are secured by:

- (i) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB10,520,000 and RMB768,000 at 31 December 2025 and 2024, respectively (Note 14);
- (ii) buildings of the Group with aggregate net carrying amounts of approximately RMB17,509,000 and RMB19,035,000 at 31 December 2025 and 2024, respectively (Note 13);
- (iii) personnel guarantee provided by Mr. Shan Yuzhu, an executive director of the Company, against certain loans with carrying amount of approximately RMB237,880,000 (2024: RMB3,000,000);
- (iv) personnel guarantee provided by Ms. Zhang Yuqiu, an executive director of the Company, against certain loans with carrying amount of approximately RMB234,500,000 (2024: Nil);
- (v) joint personnel guarantees provided by Mr. Shan Yuzhu and Ms. Zhang Yuqiu, the executive directors of the Company, against certain loans with carrying amount of approximately RMB3,000,000 (2024: Nil); and
- (vi) properties held by Mr. Shan Yuzhu against a loan with carrying amount of approximately RMB16,000,000 (2024: RMB15,990,000).

In addition, the secured borrowings are guaranteed by a non-wholly owned subsidiary, 儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd.\* ("Yizheng Juxinyuan"), Changchun Guangke and the Company.

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2025 and 2024, none of the covenants relating to drawn down facilities had been breached.

\* English name for identification purpose only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 21. LEASE LIABILITIES

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Current portion	–	30

The Group has recognised the following amounts relating to short-term leases during the reporting period:

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Lease payments – Short-term leases	<b>1,914</b>	559

Commitments and present value of lease liabilities:

	<b>Lease payments</b>		<b>Present value of lease payments</b>	
	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Amounts payable:				
Within one year	–	31	–	30
In the second to fifth years inclusive	–	–	–	–
	–	31	–	30
Less: future finance charges	–	(1)	–	–
<b>Total lease liabilities</b>	<b>–</b>	<b>30</b>	<b>–</b>	<b>30</b>

The total cash outflows for leases for the years ended 31 December 2025 and 2024 were approximately RMB1,952,000 and RMB2,901,000, respectively.

The lease agreements do not impose any covenants other than the security interests in certain right-of-use assets with aggregate net carrying amounts of approximately RMB230,000 at 31 December 2024 (*Note 14*).

At 31 December 2024, the weighted average of the incremental borrowing rates for the lease liabilities of the Group was 4.54% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 22. DEFERRED TAX ASSETS/(LIABILITIES)

For the purpose of presentation in the consolidated financial statements, the following is the analysis of the deferred taxation:

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
At the beginning of the reporting period	<b>86</b>	147
Charge to profit or loss	<b>(1,956)</b>	(61)
At the end of the reporting period	<b>(1,870)</b>	86

The movements in the Group's deferred tax assets (liabilities) for the reporting period were as follows:

	<b>Depreciation allowance</b> <i>RMB'000</i>	<b>Accrued revenue and costs</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2024	–	147	147
Income tax expense	–	(61)	(61)
<b>At 31 December 2024</b>	–	86	86
At 1 January 2025	–	86	86
Income tax expense	(1,724)	(232)	(1,956)
<b>At 31 December 2025</b>	<b>(1,724)</b>	<b>(146)</b>	<b>(1,870)</b>

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately RMB33,107,000 (2024: approximately RMB31,078,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 23. DEFERRED INCOME

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Assets related government grants	<b>1,862</b>	2,351

Movement of assets related government grants:

	<i>RMB'000</i>
At 1 January 2024	2,840
Credit to profit or loss	(489)
<b>At 31 December 2024</b>	<b>2,351</b>
At 1 January 2025	2,351
Credit to profit or loss	(489)
<b>At 31 December 2025</b>	<b>1,862</b>

The carrying amount of deferred income of the Group analysed as:

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Current portion	<b>489</b>	489
Non-current portion	<b>1,373</b>	1,862
	<b>1,862</b>	2,351

The assets related government grant represents amount of RMB5,000,000 which was received in prior years in relation to subsidies for acquisition of certain building and plant and machineries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 24. SUBSIDIARIES

Details of principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/ registered capital	Principal activities
HK Tianshun International Environmental Protection Technology Group Co., Limited	Ordinary	Hong Kong	100% (2024: 100%)	HK\$1	Investment holding
Green Environmental Protection Technology Hong Kong Group Co., Limited ("Green Environmental HK")	Ordinary	Hong Kong	100% (2024: 100%)	HK\$1	Investment holding
吉林省邁盛新材料有限公司Jilin Province Maisheng New Material Co., Ltd.* ("Jilin Maisheng")	Registered	The PRC	100% (2024: 100%)	RMB123,000,000	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)
長春廣科科技有限公司Changchun Guangke Technology Co., Ltd.* ("Changchun Guangke")	Registered	The PRC	99% (2024: 99%)	RMB123,010,101	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)
Jilin Kaishun	Registered	The PRC	99.01% (2024: 99.01%)	RMB150,823,942	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 24. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/ registered capital	Principal activities
Yizheng Juxinyuan	Registered	The PRC	99.01% (2024: 99.01%)	RMB10,000,000	Trading of biodegradable packing materials
廣東省首塑新材料科技有限公司 Guangdong Province Shousu New Material Technology Co., Ltd.*	Registered	The PRC	90% (2024: 90%)	RMB10,000,000	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
浙江安吉金克新材料科技有限公司 Zhejiang Anji Jinke New Material Technology Co., Ltd.* (Note)	Registered	The PRC	100% (2024: 100%)	RMB7,000,000	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
浙江安吉金興新材料有限公司 Zhejiang Anji Jinxing New Materials Co., Ltd.* (Note)	Registered	The PRC	100% (2024: 100%)	RMB7,000,000	Inactive

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the reporting period or at the end of the reporting period.

*Note:* These entities are wholly owned foreign enterprises established in the PRC with limited liability.

\* English name for identification purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 25. SHARE CAPITAL AND RESERVES

### 25(a) Share capital

	Number of shares	Amount HK\$'000	
<b>Ordinary share of HK\$0.01 each</b>			
<b>Authorised:</b>			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	10,000,000,000	100,000	
<b>Issued and fully paid:</b>			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,000,000,000	10,000	Equivalent to RMB'000 8,800

### 25(b) Share premium

Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

### 25(c) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the reorganisation.

### 25(d) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 25. SHARE CAPITAL AND RESERVES (CONTINUED)

### 25(e) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the presentation currency for consolidation.

## 26. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2025, further information of the related party transactions is set out below.

(a) Balance with related parties:

At 31 December 2025, there was no significant balance with related parties except for the amount due to a director with carrying amount of approximately RMB5,978,000 (2024: approximately RMB1,617,000) as set out in Note 19(b).

(b) Remuneration for key management personnel (namely the Company's directors) of the Group:

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Salaries, discretionary bonus, allowances and other benefits in kind	<b>1,518</b>	1,791
Contributions to defined contribution plans	<b>236</b>	269
	<b>1,754</b>	2,060

Further details of the remuneration of the Company's directors are set out in Note 8.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 27. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has following major non-cash transactions:

During the year ended 31 December 2025, the Group incurred payables of approximately RMB8,072,000 (2024: RMB1,664,000) in respect of purchase of property, plant and equipment as further detailed in Note 19(c).

During the year ended 31 December 2025, the Group disposed of certain property, plant and equipment with total proceeds of RMB18,450,000, out of which approximately RMB7,892,000 (2024: RMB1,117,000) remained outstanding as at the end of the reporting period and were included in other receivables (Note 17(b)).

#### (b) Reconciliation of liabilities arising from financing activities

The movements during the reporting periods in the Group's liabilities arising from financing activities are as follows:

	At 1 January 2025 RMB'000	Net cash flows RMB'000	Non-cash changes		At 31 December 2025 RMB'000
			Exchange adjustments RMB'000	Termination of lease RMB'000	
<b>Year ended 31 December 2025</b>					
Interest-bearing borrowings	72,010	194,643	(73)	-	266,580
Lease liabilities	30	(30)	-	-	-
<b>Total liabilities from financing activities</b>	<b>77,040</b>	<b>194,613</b>	<b>(73)</b>	<b>-</b>	<b>266,580</b>
	At 1 January 2024 RMB'000	Net cash flows RMB'000	Non-cash changes		At 31 December 2024 RMB'000
			Exchange adjustments RMB'000	Termination of lease RMB'000	
<b>Year ended 31 December 2024</b>					
Interest-bearing borrowings	49,658	22,250	102	-	72,010
Lease liabilities	11,511	(1,991)	-	(9,490)	30
<b>Total liabilities from financing activities</b>	<b>61,169</b>	<b>20,259</b>	<b>102</b>	<b>(9,490)</b>	<b>72,040</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of bank balances and cash and interest-bearing borrowings. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

#### Credit risk

The carrying amount of financial assets recognised on the consolidated financial statements, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade and other receivables	<b>64,770</b>	116,478
Bank balances and cash	<b>22,238</b>	422,706
	<b>87,008</b>	539,184

#### Trade receivables

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2025, the Group had a concentration of credit risk as approximately 12.93% (2024: 13.90%) of the total trade receivables was due from the Group's largest trade debtor, and approximately 25.56% (2024: 28.97%) of the total trade receivables was due from the Group's five largest trade debtors, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (Continued)

##### *Trade receivables (Continued)*

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the reporting period.

Considered no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables for both past due or not yet past due balances at 31 December 2025 and 2024, and no material change in late payment and default risk as well as forward-looking factors throughout the reporting period, the management of the Group estimates that the ECL for those balances is insignificant and assigns 0.5% as the expected loss rate, which represented a reasonable estimation of credit risk exposure, for the reporting period.

The Group does not hold any collateral over trade receivables at 31 December 2025 and 2024.

Based on the expected loss rate of 0.5% for the reporting periods, the Group recognised loss allowances of approximately RMB281,000 and RMB576,000 on the trade receivables at 31 December 2025 and 2024, respectively. The movements in loss allowances for trade receivables during the reporting periods are summarised below.

	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
At the beginning of the reporting period	<b>576</b>	508
(Reversal of) Provision for loss allowances, net	<b>(295)</b>	68
At the end of the reporting period	<b>281</b>	576

None of the trade receivables were written off during the reporting periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (Continued)

##### ***Other financial assets carried at amortised costs***

The Group's other financial assets carried at amortised costs include bank balances and cash and other receivables (representing other deposits and receivables) in the consolidated statement of financial position.

The majority of the Group's bank balances are deposited in major financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

The management of the Group considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	On demand or less than 1 year <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 5 years <i>RMB'000</i>
<b>At 31 December 2025</b>					
Trade and other payables	29,094	29,094	29,094	-	-
Interest-bearing borrowings	266,580	308,797	91,520	9,141	208,136
	<b>295,674</b>	<b>337,891</b>	<b>120,614</b>	<b>9,141</b>	<b>208,136</b>

	Total carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	On demand or less than 1 year <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 5 years <i>RMB'000</i>
<b>At 31 December 2024</b>					
Trade and other payables	51,484	51,484	51,484	-	-
Interest-bearing borrowings	72,010	75,307	73,972	1,335	-
Lease liabilities	30	31	31	-	-
	123,524	126,822	125,487	1,335	-

#### Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and interest-bearing borrowings.

The interest rate characteristics of the Group's bank balances and interest-bearing borrowings are disclosed in note 18 and 20 respectively.

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

As at 31 December 2025 and 2024, the Group's borrowings are arranged at fixed rate. In the management's opinion, the Group does not have material interest rate exposure and therefore no sensitivity analysis is presented in this respect.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 29. FAIR VALUE MEASUREMENT

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair value.

## 30. COMMITMENTS

### (a) Capital expenditure commitments

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Contracted but not provided net of deposits paid for acquisition of		
– leasehold land ( <i>Note</i> )	–	9,976
– property, plant and equipment	<b>8,072</b>	–

*Note:*

The amount represents consideration for purchase of leasehold land located in Changchun, the PRC and has been subsequently settled in January 2025.

### (b) Commitments under leases

#### *The Group as lessee*

At 31 December 2025 and 2024, the Group was committed to approximately RMB531,000 and RMB962,000 for short-term leases, respectively.

## 31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
<b>Non-current assets</b>			
Investments in subsidiaries		_*	_*
Property, plant and equipment		1	1
		<b>1</b>	1
<b>Current assets</b>			
Other receivables and prepayments		<b>3,634</b>	3,513
Amounts due from subsidiaries	32(a)	<b>143,581</b>	146,981
Bank balances and cash		<b>12</b>	104
		<b>147,227</b>	150,598
<b>Current liabilities</b>			
Other payables	32(b)	<b>7,207</b>	4,545
Interest-bearing borrowings		-	4,760
Amount due to a subsidiary	32(a)	<b>11,104</b>	4,822
		<b>18,311</b>	14,127
<b>Net current assets</b>		<b>128,916</b>	136,471
<b>NET ASSETS</b>		<b>128,917</b>	136,472
<b>Capital and reserves</b>			
Share capital	25(a)	<b>8,800</b>	8,800
Reserves	32(c)	<b>120,117</b>	127,672
<b>TOTAL EQUITY</b>		<b>128,917</b>	136,472

\* Represent amounts less than RMB1,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2025

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

#### 32(a) Amounts due from subsidiaries/amount due to a subsidiary

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

#### 32(b) Other payables

	2025 RMB'000	2024 RMB'000
Provision for legal and professional fees	1,690	1,574
Interests payable	-	1,334
Amount due to a director ( <i>Note</i> )	5,517	1,637
	<b>7,207</b>	4,545

*Note:* The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

#### 32(c) Reserves

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>At 1 January 2024</b>	150,405	3,705	(23,179)	130,931
Loss for the year	-	-	(6,326)	(6,326)
<b>Other comprehensive income</b>				
Exchange difference on translation into presentation currency	-	3,067	-	3,067
<b>Total comprehensive loss for the year</b>	-	3,067	(6,326)	(3,259)
<b>At 31 December 2024 and 1 January 2025</b>	150,405	6,772	(29,505)	127,672
Loss for the year	-	-	(4,064)	(4,064)
<b>Other comprehensive loss</b>				
Exchange difference on translation into presentation currency	-	(3,491)	-	(3,491)
<b>Total comprehensive loss for the year</b>	-	(3,491)	(4,064)	(7,555)
<b>At 31 December 2025</b>	150,405	3,281	(33,569)	120,117

# FINANCIAL SUMMARY

The summary of the published results and of the assets and liabilities of the Group for the last five years is as follows:

## RESULTS

	2025 <sup>(1)</sup> RMB'000	For the year ended 31 December			
		2024 <sup>(1)</sup> RMB'000	2023 <sup>(1)</sup> RMB'000	2022 <sup>(1)</sup> RMB'000	2021 <sup>(1)</sup> RMB'000
<b>Revenue</b>	<b>253,421</b>	407,495	365,811	299,789	256,740
Cost of sales	<b>(155,160)</b>	(245,457)	(220,357)	(179,545)	(143,608)
Gross profit	<b>98,261</b>	162,038	145,454	120,244	113,132
Other income	<b>2,672</b>	20,277	7,345	747	1,208
Selling and distribution expenses	<b>(3,564)</b>	(5,405)	(5,845)	(5,242)	(1,409)
Administrative and other operating expenses	<b>(60,893)</b>	(41,820)	(40,520)	(25,382)	(13,311)
Finance costs	<b>(1,026)</b>	(3,287)	(4,015)	(3,392)	(3,429)
Listing expenses	<b>-</b>	-	(2,289)	(17,146)	(4,214)
<b>Profit before tax</b>	<b>35,450</b>	131,803	100,130	69,829	91,977
Income tax expenses	<b>(5,999)</b>	(19,426)	(15,523)	(12,842)	(13,560)
Profit for the year	<b>29,451</b>	112,377	84,607	56,987	78,417
<b>Profit for the year attributable to:</b>					
Owners of the Company	<b>29,114</b>	111,161	83,970	56,508	78,417
Non-controlling interests	<b>337</b>	1,216	637	479	-
	<b>29,451</b>	112,377	84,607	56,987	78,417

## ASSETS AND LIABILITIES

	2025 <sup>(1)</sup> RMB'000	At 31 December			
		2024 <sup>(1)</sup> RMB'000	2023 <sup>(1)</sup> RMB'000	2022 <sup>(1)</sup> RMB'000	2021 <sup>(1)</sup> RMB'000
Total assets	<b>890,471</b>	690,604	558,045	304,845	225,522
Total liabilities	<b>300,462</b>	(130,248)	(109,921)	(106,841)	(84,576)
Total equity	<b>590,009</b>	560,356	448,124	198,004	140,946
Equity attributable to					
Owners of the Company	<b>585,654</b>	556,338	445,332	195,839	140,946
Non-controlling interests	<b>4,355</b>	4,018	2,802	2,165	-
	<b>590,009</b>	560,356	448,124	198,004	140,946

<sup>(1)</sup> The financial figures were extracted from the consolidated financial statements in annual reports.