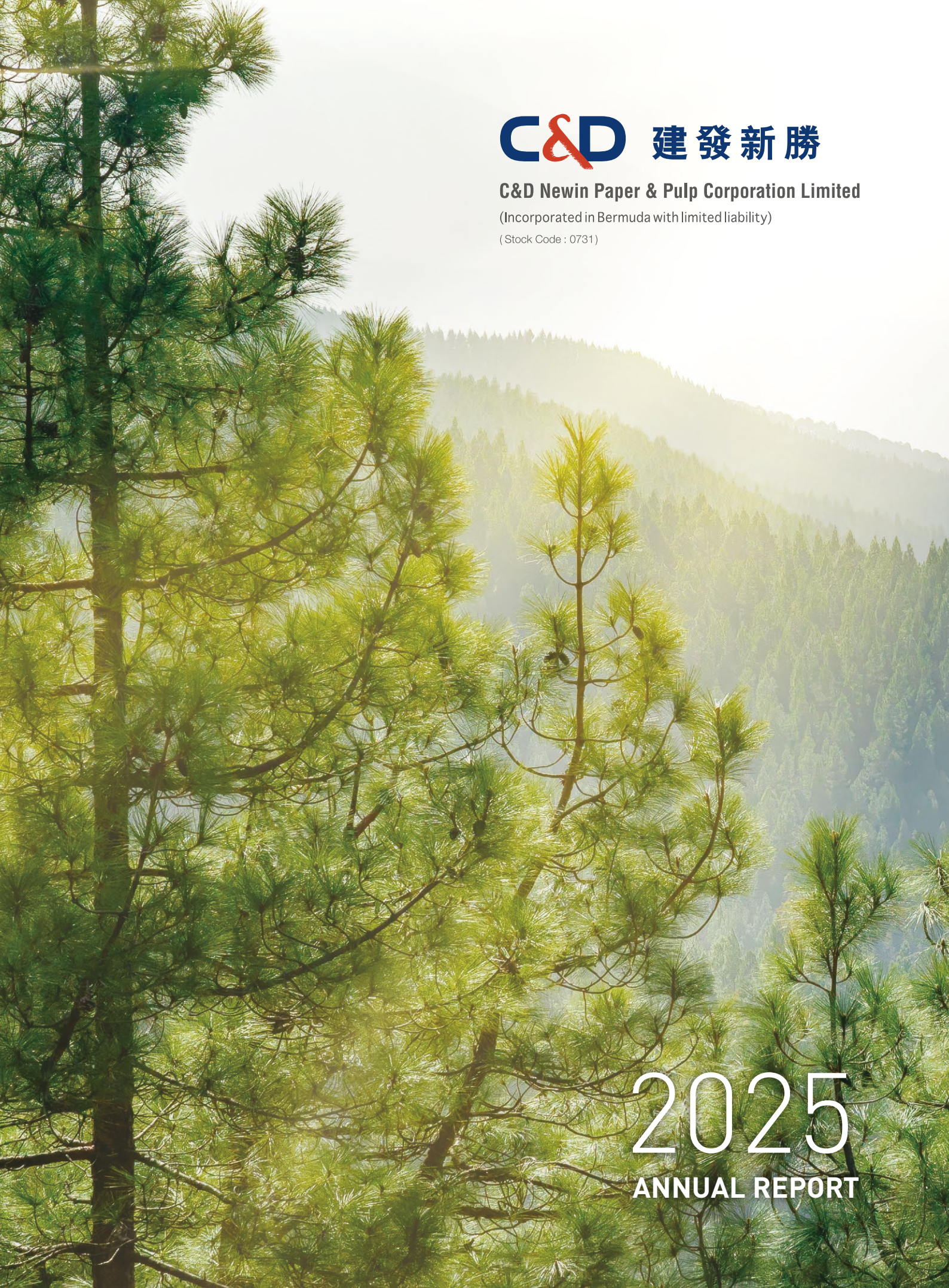


C&D 建發新勝

C&D Newin Paper & Pulp Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2025 ANNUAL REPORT

Contents

2 Corporate Information

4 Financial Highlights

5 Chairman's Statement

6 Management Discussion and Analysis

10 Biographies of Directors, Senior Management and Company Secretaries

14 Corporate Governance Report

30 Report of the Directors

44 Environmental, Social and Governance Report

106 Independent Auditor's Report

113 Consolidated Statement of Profit or Loss

114 Consolidated Statement of Comprehensive Income

115 Consolidated Statement of Financial Position

117 Consolidated Statement of Changes in Equity

118 Consolidated Statement of Cash Flows

120 Notes to the Consolidated Financial Statements

180 Financial Summary

Corporate Information

Board of Directors

Executive Directors
Mr. Huang Tiansheng *(Chief Executive Officer)*
Mr. Lin Ruqing

Non-executive Directors
Mr. Chen Dongxu *(Chairman of the Board)*
(appointed on 29 January 2026)
Mr. Zhang Xiaohui *(Chairman of the Board)*
(resigned on 29 January 2026)
Mr. Choi Wai Hong, Clifford

Independent non-executive Directors
Mr. Wong Yiu Kit, Ernest
(ceased on 24 January 2026)
Mr. Zhao Lin *(resigned on 31 May 2025)*
Ms. Chan Siu Mat
Mr. Chen Wenshui
(appointed on 31 May 2025)
Ms. Tsang Wing Yee
(appointed on 6 March 2026)

Audit Committee

Mr. Wong Yiu Kit, Ernest
(ceased on 24 January 2026)
Ms. Tsang Wing Yee *(Chairman)*
(appointed on 6 March 2026)
Mr. Choi Wai Hong, Clifford
Ms. Chan Siu Mat

Remuneration Committee

Mr. Zhao Lin *(resigned on 31 May 2025)*
Mr. Chen Wenshui *(Chairman)*
(appointed on 31 May 2025)
Mr. Chen Dongxu
(appointed on 29 January 2026)
Ms. Chan Siu Mat

Nomination Committee

Mr. Zhao Lin *(resigned on 31 May 2025)*
Mr. Chen Wenshui *(Chairman)*
(appointed on 31 May 2025)
Mr. Chen Dongxu
(appointed on 29 January 2026)
Ms. Chan Siu Mat

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond
Ms. Li Jing

Authorised Representatives

Mr. Chen Dongxu
Dr. Wong Chi Ho, Raymond

Registered Office

5th Floor, Victoria Place,
31 Victoria Street, Hamilton HM10,
Bermuda

Head Office and Principal Place of Business in Hong Kong

Rooms 2306B & 2307,
23rd Floor, West Tower, Shun Tak Centre,
No. 168–200, Connaught Road Central,
Hong Kong

Principal Share Registrar and Transfer Office

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179, Hamilton HM EX,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China,
Xuecheng District Sub-branch
China Everbright Bank, Xiamen branch
Bank of China, Xiamen C&D Building sub-branch

Company Website

www.cndnewin.com

Legal Advisers

As to Hong Kong law
Seyfarth Shaw
Suites 3701, 3708–3710, 37/F,
Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

Independent Auditor

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Stock Code

731

Financial Highlights

Consolidated Statement of Profit or Loss

	For the year ended 31 December 2025 HK$'000	For the year ended 31 December 2024 HK$'000
Revenue	1,459,268	1,331,437
Operating (loss)/profit	(48,952)	48,179
Finance costs	25,375	23,839
(Loss)/profit before tax	(74,327)	24,340
(Loss)/profit attributable to owners of the Company	(73,661)	24,595

Consolidated Statement of Financial Position

	As at 31 December 2025 HK$'000	As at 31 December 2024 HK$'000
Non-current assets	853,546	839,364
Current assets	302,939	254,373
Current liabilities	221,722	432,832
Shareholders' funds	131,985	197,635
Non-current liabilities	802,778	463,270

Share Statistics

	For the year ended 31 December 2025	For the year ended 31 December 2024
(Loss)/earnings per share — basic	HK(5.2) cents	HK1.7 cents
(Loss)/earnings per share — diluted	HK(5.2) cents	HK1.7 cents
Dividends per share	HK Nil cents	HK Nil cents
Net asset value per ordinary share	HK9.3 cents	HK14.0 cents

Chairman's Statement

Dear Shareholders, Partners and Stakeholders,

On behalf of the Board of Directors, I hereby present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2025 (the "**Year**").

In the past year, the papermaking industry has undergone continuous adjustments amid complex internal and external environments. In the first half of the year, due to the slow recovery in demand and fluctuations in the prices of raw materials such as waste paper, the price spread between finished products and raw materials narrowed, putting the profitability of the industry under pressure. In the second half of the year, guided by the industry association's anti-involution initiative, competitive strategies within the industry gradually shifted. Some leading enterprises proactively managed supply and demand, leading to a gradual stabilization and recovery of the market, and the price spread partially recovered. At the same time, the packaging paper industry exhibited significant internal structural differentiation, with market share and resources continuously concentrating in enterprises that possess cost control capabilities and advantages in supply chain synergy, while other enterprises faced challenges of low capacity utilization rates and mounting operational pressures.

Building on the steady development of its traditional papermaking business, the Group successfully expanded and established a trading segment during the Year, and has now preliminarily formed a new business structure driven by the "papermaking + trading" dual growth engines. However, due to factors such as cyclical adjustments in the industry and the new business being in its incubation period, both business segments faced short-term pressure on their financial performance. This has made us more keenly aware that only by conducting in-depth analysis of the essence of our business and precisely identifying key operational aspects which can steer the Group towards steady and sustainable long-term growth.

Looking ahead to 2026, the Central Economic Work Conference has clarified the policy orientation of "seeking progress while maintaining stability, and improving quality and efficiency," providing directional guidance for the development of all industries. Guided by this policy, the Group will continue to drive cost reduction and efficiency enhancement in the papermaking segment, optimize its product structure, and improve its raw material response mechanisms. While ensuring the stable operation of its existing capacity, the Group will, in light of changes in the market environment and its own conditions, study the feasibility of capacity optimization and upgrading at an appropriate time, thereby creating flexibility for its medium and long-term development. In the trading segment, the Group will further optimize its operational systems, enhance risk control capabilities and operational quality, and actively explore diversified development paths through synergy with its main business and cross-category expansion. At the same time, by leveraging the resource advantages of its controlling shareholder, the Group will prudently monitor development opportunities in the main pulp and paper industry chain and other related potential industries, so as to continuously build momentum for its medium and long-term development.

At this critical juncture of industry transformation, the Group will adopt a pragmatic and focused approach to drive a solid transformation, strengthen the foundation for sustainable development, and commit to creating long-term and stable value returns for all shareholders.

Mr. Chen Dongxu
Chairman

Hong Kong, China, 26 March 2026

Business Review

In 2025, the packaging paper industry, in which the Group's papermaking business operates, generally showed a trend of initial weakness followed by a later recovery. In the first half of the Year, due to the slow recovery in market demand and fluctuations in the prices of raw materials such as waste paper, the price spread between finished products and raw materials narrowed, putting the profitability of the papermaking segment under pressure. In the second half of the Year, with the advancement of the industry association's anti-involution initiative, competitive strategies within the industry gradually shifted. Some leading enterprises proactively managed supply and demand, leading to a gradual stabilization and recovery of the market, and the price spread partially recovered. During the Year, the papermaking industry exhibited significant internal structural differentiation, with market share and resources continuously concentrating in enterprises that possess cost control capabilities and advantages in supply chain synergy.

In response to market changes, the Group actively adapted. While maintaining the stable operation of its main papermaking business, it successfully expanded and established a trading segment during the Year, preliminarily forming a new business structure driven by the "papermaking + trading" dual growth engines. However, due to factors such as cyclical adjustments in the industry and the new business being in its incubation period, both business segments faced short-term pressure on their financial performance.

Financial Review

Revenue

During the Year, the revenue of approximately HK$1,459.3 million comprised approximately HK$1,330.5 million derived from the paper manufacturing and selling segment (for the year ended 31 December 2024: HK$1,331.4 million) and approximately HK$128.8 million derived from the trading segment (for the year ended 31 December 2024: HK$Nil). The revenue increased by approximately 9.6% from approximately HK$1,331.4 million for the year ended 31 December 2024 to approximately HK$1,459.3 million for the Year. Such increase was primarily due to the revenue derived from the trading segment of approximately HK$128.8 million during the Year.

Selling expenses

During the Year, the selling expenses was approximately HK$2.4 million (for the year ended 31 December 2024: HK$2.5 million), which remained stable for the Year.

Administrative expenses

During the Year, the administrative expenses was approximately HK$52.7 million (for the year ended 31 December 2024: HK$60.7 million), which was mainly attributable to staff costs expenses of approximately HK$21.4 million and depreciation and amortization of approximately HK$20.5 million (for the year ended 31 December 2024: HK$25.6 million and HK$21.8 million respectively).

Financial Review (continued)

(Loss)/profit for the Year

The Group recorded loss for the Year, which amounted to approximately HK$73.7 million for the Year as compared to profit amounted to approximately HK$24.6 million for the year ended 31 December 2024.

The turnaround from profit to loss during the Year was mainly attributable to the combined effect of the following factors:

(i) absence of the significant one-off gain of approximately HK$128.2 million as a result of the release of undeclared claims under the debt restructuring of the Group recorded during the year ended 31 December 2024. Details of the debt restructuring of the Group were disclosed in the circular of the Company dated 31 December 2021; and

(ii) the complicated and volatile trading environment, the slow recovery of the consumer market, the overall pricing pressure faced by packaging paper market and the fluctuation in the price of raw materials narrowed the price spread between finished products and raw materials, thereby putting pressure on the profitability of the papermaking segment of the Group.

If the significant one-off gain of approximately HK$128.2 million as a result of the release of undeclared claims under the debt restructuring of the Group recorded during the year ended 31 December 2024 were excluded, the Board estimated that the net loss attributable to the owners of the Company will be narrowed by approximately 28.9% as compared to the Company's adjusted net loss of approximately HK$103.6 million for the year ended 31 December 2024.

The unaudited adjusted net loss attributable to the owners of the Company is for illustrative purpose and should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with Hong Kong Financial Reporting Standards. In addition, it may be defined differently from similar terms used by other companies.

Liquidity, Financial Resources and Capital Structure

Bank loans and other borrowings

As at 31 December 2025, the Group's bank loans and other borrowings were approximately HK$786.2 million, representing an increase of approximately 23.4% as compared with approximately HK$637.1 million as at 31 December 2024.

Pledge of assets

At 31 December 2025, no asset was pledged as security for the Group's other borrowings (31 December 2024: HK$Nil).

At 31 December 2025, the carrying amount of property, plant and equipment and right-of-use in aggregate of approximately HK$190.0 million (31 December 2024: HK$79.0 million) was pledged as security for the Group's bank borrowings of approximately HK$33.4 million (31 December 2024: HK$106.0 million).

Gearing ratio

As at 31 December 2025, our gearing ratio was approximately 85.3% (31 December 2024: 75.0%). The gearing ratio is calculated by net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less bank and cash balances. Total capital is calculated as total equity plus net debt.

Liquidity, Financial Resources and Capital Structure (continued)

Current ratio

As at 31 December 2025, our current ratio was approximately 1.37 times as compared with that of 0.59 times as at 31 December 2024. The current ratio is calculated by current assets divided by current liabilities.

Contingent liabilities

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

Employees and Staff Costs

As at 31 December 2025, we had a total of 709 employees excluding directors (31 December 2024: 735 employees). For the Year, the Group incurred staff costs (excluding directors' remuneration) of approximately HK$74.3 million (for the year ended 31 December 2024: HK$76.5 million).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Significant Investments held

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year and there is no plan for material investments or capital assets as at the date of this annual report.

Future Plan for Material Investments or Capital Assets

There is no plan for material investments or capital assets as at the date of this annual report.

Principal Risks and Uncertainties

Economic climate

In 2025, the papermaking industry has undergone continuous adjustments amid complex internal and external environments. In the first half of the year, due to the slow recovery in demand and fluctuations in the prices of raw materials such as waste paper, the price spread between finished products and raw materials narrowed, putting the profitability of the industry under pressure. In the second half of the year, guided by the industry association's anti-involution initiative, competitive strategies within the industry gradually shifted. Some leading enterprises proactively managed supply and demand, leading to a gradual stabilization and recovery of the market, and the price spread partially recovered. At the same time, the packaging paper industry exhibited significant internal structural differentiation, with market share and resources continuously concentrating in enterprises that possess cost control capabilities and advantages in supply chain synergy, while other enterprises faced challenges of low capacity utilization rates and mounting operational pressures.

Customers' credit risk

The Group is exposed to credit risk in its business operations. The Group's business, financial condition and results of operations may be adversely affected by substantial delays or default in payments by its customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for setting credit limits, credit approvals and other monitoring procedures. We extend credit to our customers based on a prudent assessment of their financial condition and credit history. The Group will take follow-up actions to recover the overdue debts. The Group also reviews the recoverable amounts of debts at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts.

Details of the credit risk of customers are set out in the note 6(b) to the consolidated financial statements.

Principal Risks and Uncertainties (continued)

Liquidity risk

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which is considered by management to be adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Details of liquidity risk are set out in the note 6(c) to the consolidated financial statements.

Foreign exchange risk

The Group's transaction currencies are mainly denominated in Renminbi and Hong Kong dollars. The Group currently does not have a foreign exchange hedging policy. However, the management closely monitors the foreign exchange exposure and the Group will hedge the foreign exchange exposure when it is considered necessary.

Prospects

Looking ahead to 2026, the Central Economic Work Conference has clarified the policy orientation of "seeking progress while maintaining stability, and improving quality and efficiency," providing directional guidance for the development of all industries. In the packaging paper market, as the industry's self-regulation mechanisms gradually improve, market competition is expected to become more orderly. Meanwhile, the inelastic demand for packaging paper from downstream sectors such as e-commerce and food and beverage provides fundamental support for the industry.

Building on the solid foundation of its main papermaking business, the Group will continue to promote cost reduction and efficiency enhancement, optimize its product structure, and improve its raw material response mechanisms. While ensuring the stable operation of its existing capacity, the Group will, in light of changes in the market environment and its own conditions, study the feasibility of capacity optimization and upgrading at an appropriate time, thereby creating flexibility for its medium and long-term development. In the trading segment, the Group will continue to optimize its operational systems, enhance risk control capabilities and operational quality, and pursue cross-category diversified development as a key strategic direction, expanding into other product categories depending on market changes and opportunities. At the same time, by leveraging the resource advantages of its controlling shareholder across various industry chains, the Group will seize development opportunities in the main pulp and paper industry chain and other related potential categories and industries, so as to continuously build momentum for its medium and long-term development.

Subsequent Events after the Year

The Group has no significant events occurred from 1 January 2026 to the date of this annual report which require additional disclosures.

Biographies of Directors, Senior Management and Company Secretaries

The biographical details of the Directors, senior management and company secretaries are set out below:

Executive Directors

Mr. Huang Tiansheng (黃田勝), aged 45, is an executive Director, the chief executive officer of the Company and an executive director and legal representative of each of Universal Pulp & Paper (Shandong) Co. Ltd.* (遠通紙業（山東）有限公司) and Shandong Yuantong Renewable Resources Recycling Company Limited* (山東遠通再生資源回收有限公司) ("**SDYTRRR**"), being wholly-owned subsidiaries of the Company. Mr. Huang is also an executive director of each of Greater Paper Development Limited and Greater Paper (Shenzhen) Paper Limited* (偉紙（深圳）紙業發展有限公司). and a director of Hong Kong Jarfot Paper & Pulp International Trading Co., Limited (香港建福漿紙國際貿易有限公司), being wholly-owned subsidiaries of the Company. He joined the Group on 26 January 2022.

Mr. Huang has over 22 years of experience in managing the supply chain of paper industry. Mr. Huang joined Xiamen C&D Paper & Pulp in August 2002, where he has been responsible for the management of the supply of paper products in Guangdong Province and Zhejiang Province. Mr. Huang was promoted to assistant to the general manager of Xiamen C&D Paper & Pulp in January 2016, deputy general manager of Xiamen C&D Paper & Pulp paper business in January 2021, and latterly general manager of Xiamen C&D Paper & Pulp's paper business in March 2024. He is currently responsible for the operation of Xiamen C&D Paper & Pulp's paper business.

Mr. Huang obtained his bachelor's degree in economics, majoring in international trade, from Hangzhou Business College (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)) in July 2002.

Mr. Lin Ruqing (林儒卿), aged 40, is an executive Director. He joined the Group on 27 September 2023.

Mr. Lin has 18 years of experience in business and management. Mr. Lin joined Xiamen C&D Paper & Pulp Group Co.,Ltd.* (廈門建發漿紙集團有限公司) ("**Xiamen C&D Paper & Pulp**") in July 2008 and has worked in various business and marketing positions within the group. Since 2021, Mr. Lin is the assistant to the general manager of Xiamen C&D Paper & Pulp and is responsible for the group's paper business management and operations in the Northwestern China division. Mr. Lin obtained a Bachelor's degree in light chemical engineering from Nanjing Forestry University (南京林業大學) in June 2008.

Non-executive Directors

Mr. Chen Dongxu (陳東旭), aged 55, has more than 30 years of management and operations experience. Mr. Chen joined Xiamen C&D Industrial Trade Co. Limited* (廈門建發工貿有限公司) in 1992 and was subsequently promoted to general manager of Xiamen C&D Automobile Co. Limited* (廈門建發汽車有限公司) in 2003 and was responsible for the management and operations of the automobile segment of the company. In 2013, Mr. Chen was promoted as vice general manager of Xiamen C&D Inc.* (廈門建發股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153) and is responsible for the management and operations of certain segments of the company. From August 2020 to May 2025, Mr. Chen was also a director of Xiamen C&D Inc.* (廈門建發股份有限公司). Mr. Chen is also a non-executive director of China Sunshine Paper Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2002), from 29 January 2026.

Mr. Chen obtained a Bachelor's degree in international trading from Xiamen University (廈門大學) in July 1992 and a Master's degree in senior management business administration from Xiamen University (廈門大學) in December 2012.

Non-executive Directors (continued)

Mr. Choi Wai Hong, Clifford (蔡偉康), aged 68, is a non-executive Director and a member of the audit committee of the Board. Mr. Choi was appointed as an independent non-executive Director on 16 July 2020. On 21 May 2021, Mr. Choi was re-designated as an executive Director. He was subsequently re-designated from an executive Director to a non-executive Director with effect from 26 January 2022. Mr. Choi obtained a Bachelor of Arts degree in Economic and Social Studies from The University of Manchester (formerly known as: The Victoria University of Manchester), United Kingdom, in 1982. Mr. Choi is a member of each of (i) The Hong Kong Institute of Certified Public Accountants; (ii) The Institute of Chartered Accountants in England and Wales; (iii) The Association of Chartered Certified Accountants; (iv) The Taxation Institute of Hong Kong; and (v) a Certified ESG Planner of the International Chamber of Sustainable Development.

Mr. Choi joined Pricewaterhouse (currently known as PricewaterhouseCoopers) in Hong Kong since January 1983 and departed in July 1992 with his last position as manager. He was subsequently a general manager in DCH MSC (China) Limited, NHK Distribution Company Limited and Porsche Centre Hangzhou from July 1992 to June 1999, July 1999 to December 2003 and January 2004 to August 2012, respectively. He then joined Princess Yacht Southern China Limited as a chief executive officer from September 2012 to November 2012 and later on as a director in the NHK Yacht Services division of NHK Distribution Company Limited from December 2012 to August 2017. Mr. Choi then joined Beijing Glory Star Centre Automotive Sales and Service Company Limited (北京極光星徽汽車銷售服務有限公司) as its general manager from September 2017 to January 2018. He re-joined NHK Distribution Company Limited since 2018 and currently serves as its director.

Mr. Choi served as an executive director and an authorised representative of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 279) from 19 November 2020 to 29 October 2021, and also served as a non-executive director of Silk Road Logistics Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 988) from 4 June 2021 to 14 December 2021. Mr. Choi served as an independent non-executive director of Bolina Holding Co., Ltd (former stock code: 1190), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 10 March 2021, from 29 January 2021 to 10 March 2021. Mr. Choi also served as an independent non-executive director of South Shore Holdings Limited (former stock code: 577), which was incorporated in Bermuda with limited liability and was delisted from the Main Board of the Stock Exchange on 9 February 2023, from 18 May 2021 to 30 June 2023; an independent non-executive director of DreamEast Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 593) from 10 December 2021 to 15 January 2024, an independent non-executive director of EcoGreen International Group Limited, a company listed on the Main Board of the Stock Exchange (former stock code: 2341), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 17 July 2024, from 8 November 2022 to 17 January 2024 and an independent non-executive director of Jiayuan International Group Limited, a company listed on the Main Board of the Stock Exchange (former stock code: 2768), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 29 October 2024, from 3 June 2024 to 11 December 2024. Mr. Choi was a non-executive director and an authorised representative of Xinming China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2699) from 16 April 2021 and 25 November 2021, respectively, until 25 February 2025. Mr. Choi was also an independent non-executive director of Aidigong Maternal & Child Health Limited, a company listed on the Main Board of the Stock Exchange (stock code: 286) from 6 March 2025 to 14 April 2025.

Mr. Choi is and has been an executive director of China Evergrande New Energy Vehicle Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 708) since 5 August 2024. Since 27 March 2025 and 16 June 2025, Mr. Choi is also an independent non-executive director of Greatview Aseptic Packaging Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 468) and Huscoke Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 704), respectively.

Independent Non-executive Directors

Ms. Chan Siu Mat (陳小密), aged 43, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Board. She joined the Group in February 2025 and is responsible for overseeing the Group's management independently and providing independent advice to the Board. She obtained a bachelor's degree of business administration in accounting from City University of Hong Kong in 2006 and she is a member of The Hong Kong Institute of Certified Public Accountants since 2009. Ms. Chan has over 19 years of experience in auditing, accounting and company secretarial fields. Ms. Chan has worked as a manager of Deloitte Touche Tohmatsu from September 2006 to January 2012, a finance manager, a company secretary and an authorized representative of Kong Sun Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 295) from April 2012 to April 2014, a finance manager and a company secretary of Wen Wei (Hong Kong) Investment Group Company Limited from April 2014 to March 2018. She was the chief financial officer of Weiye Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 1570) from November 2022 to August 2025. Since September 2025, Ms. Chan was appointed as the company secretary and financial controller of China Yurun Food Group Limited (a company listed on the Main Board of the Stock Exchange, stock code:1068).

From April 2025 to July 2025, Ms. Chan was the independent non-executive director of Neo Telemedia Limited (former stock code: 8167) which was incorporated in the Cayman Islands with limited liability and was delisted from the GEM of the Stock Exchange on 17 July 2025. Since November 2025 until February 2026, Ms. Chan was the independent non-executive director of KEYNE LTD (a company listed on the Main Board of the Stock Exchange, former stock code: 0009) which was incorporated in Bermuda with limited liability and was delisted from the Main Board of the Stock Exchange on 2 February 2026. From April 2025 to November 2025, Ms. Chan was also the company secretary of China 33 Media Group Limited (a company listed on GEM of the Stock Exchange, stock code: 8087). Since November 2024, Ms. Chan is the independent non-executive director of RMH Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8437).

Mr. Chen Wenshui (陳文水), aged 63, is an independent non-executive Director and chairman of the remuneration committee and nomination committee of the Board. He joined the Group in May 2025. Mr. Chen has over 30 years of experience in engineering. Mr. Chen obtained a bachelor's degree of chemistry and chemical engineering from Fuzhou University in July 1983. Mr. Chen was granted the senior engineer qualification in 1998 by the Fujian Province Human Resource Bureau.

From August 1983 to November 2016, Mr. Chen has worked under various positions at group companies of Fujian Qingshan Paper Co., Ltd. ("**Fujian Qingshan**") with his last position as the general manager of Fujian Qingshan. From November 2016 to July 2020, Mr. Chen was the deputy chief economist of Fujian Light and Textile Industrial (Holdings) Co., Ltd. From July 2020 to May 2023, Mr. Chen was the chairman of the supervisory committee of Fujian Architecture & Light-Textile Design Institute Co., Ltd.

Ms. Tsang Wing Yee (曾詠儀), aged 54, is an independent non-executive Director and Chairman of the audit committee of the Board. She joined the Group in March 2026. Ms. Tsang has extensive experience in corporate finance, investment and corporate management. She is a Chartered Financial Analyst Charterholder, a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Registered Business Valuer of the Hong Kong Business Valuation Forum. Ms. Tsang attained a bachelor's degree in business administration from The University of Hong Kong and a master's degree of science in financial management from The University of London. She has been a licensed person under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") permitted to carry out type 6 (advising on corporate finance) regulated activities (as defined under the SFO) since August 2003.

She is currently the managing director and a responsible officer (as defined under the SFO) of Crescendo Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities in which she is responsible for the overall management and the provision of financial advisory services to clients. Ms. Tsang is also an independent non-executive director of Mi Ming Mart Holdings Limited (Stock Code: 8473), World Houseware (Holdings) Limited (Stock Code: 713) and Wai Kee Holdings Limited (Stock Code: 610).

Senior Management

Ms. Chen Yaling (陳雅玲), aged 42, has over 19 years of experience in accounting and finance. Ms. Chen joined Xiamen C&D Inc. (廈門建發股份有限公司) in July 2006 and has served various finance related positions within the group. Since October 2025, Ms. Chen has been appointed as the chief financial officer of Xiamen C&D Paper & Pulp, responsible for the financial management and operation of the company.

Ms. Chen obtained a Bachelor's degree in accounting from the Xiamen University (廈門大學) in July 2006. In August 2023, Ms. Chen also obtained the senior accountant certification from the Department of Human Resources and Social Security of Fujian Province (福建省人力資源和社會保障廳).

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond (黃志豪), aged 54, is a joint company secretary and an authorised representative of the Company. Dr. Wong has over 20 years of experience of advising corporate and commercial law with particular focus on capital markets, public takeovers, mergers and acquisitions, corporate restructuring and regulatory compliance. Dr. Wong is the managing partner of the Hong Kong office of Seyfarth Shaw, an international law firm. Before joining Seyfarth Shaw in 2017, Dr. Wong had been a partner in several international law firms. He acted as the joint company secretary of China Golden Classic Group Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8281) from August 2018 to August 2021.

Dr. Wong graduated from Imperial College London with a Bachelor of Engineering degree in Electrical and Electronic Engineering in August 1994. He also obtained a Master of Arts degree in Law from City, University of London in March 2000, a Master of Laws degree in Chinese Law from The University of Hong Kong in December 2003 and a Doctor of Laws degree in Economic Law from East China University of Political Science and Law in December 2019.

Ms. Li Jing (李晶), aged 39, is a joint company secretary of the Company. Ms. Li joined Xiamen C&D Paper & Pulp in July 2011 and she is currently working in the corporate development department (formerly known as the investment management department) of Xiamen C&D Paper & Pulp. Ms. Li obtained a bachelor of engineering degree in machine design, manufacturing and automation from Jimei University (集美大學) in July 2009. She then obtained a master of science degree in industrial engineering from the Oregon State University in June 2011. In June 2021, Ms. Li finished all the courses for a master of business administration degree provided by Xiamen University (廈門大學). Ms. Li obtained the intermediate qualification in business administration in December 2013.

Corporate Governance Report

The Company is committed to maintaining and promoting high corporate governance standards. The Board believes that high corporate governance standards are important for the long-term success and sustainability of the Group's business, enhancing corporate value, transparency and accountability as well as protecting the interests of the Shareholders.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Listing Rules. None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year ended 31 December 2025, in compliance with the Listing Rules and the code provisions (the "**Code Provision(s)**") under the CG Code. The major corporate governance principles and practices of the Company are summarised as below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure they comply with statutory and professional standards and align with the latest development.

Board of Directors

Responsibilities, accountabilities and contributions

The Board oversees the Group's businesses, strategic decisions and financial performance. It leads and provides direction to management by laying down strategies and overseeing the implementation by management.

The executive Directors, chief executive and senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers on behalf of the Group.

The Board has also established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors have brought extensive experience, knowledge and professionalism to the Board for its efficient and effective functioning. They have full and timely access to all information of the Company, and may upon request seek independent professional advice where appropriate at the Group's expenses for discharging their duties to the Company. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is devoting sufficient time and attention performing them. The Company has also arranged insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The directors and officers liability insurance coverage would be reviewed on an annual basis.

The Board reserves for its discretion on matters affecting the Group's overall strategic policies and finances including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments.

Board of Directors (continued)

Board composition

The Board currently comprises seven Directors, of which two are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The members of the Board are listed as follows:

Executive Directors

Mr. Huang Tiansheng *(chief executive officer)*
Mr. Lin Ruqing

Non-executive Directors

Mr. Zhang Xiaohui *(resigned on 29 January 2026)*
Mr. Chen Dongxu *(chairman of the Board) (appointed on 29 January 2026)*
Mr. Choi Wai Hong, Clifford

Independent non-executive Directors

Mr. Wong Yiu Kit, Ernest *(ceased on 24 January 2026)*
Mr. Zhao Lin *(resigned on 31 May 2025)*
Mr. Chen Wenshui *(appointed on 31 May 2025)*
Ms. Chan Siu Mat
Ms. Tsang Wing Yee *(appointed on 6 March 2026)*

The list of Directors and their roles and functions is disclosed on the websites of the Company and the Stock Exchange by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are also identified in all corporate communications that disclose the names of Directors pursuant to Code Provision B.1.1. The biographies of the Directors are set out in the section headed "Biographies of Directors, senior management and company secretaries" in this annual report.

To the best of the Directors' knowledge, information and belief, save as disclosed in this annual report, there is no relationship (including financial, business, family or other material/relevant relationship(s)), if any, between Board members and in particular, between the chairman and the chief executive.

Mr. Chen Wenshui, Mr. Chen Dongxu and Ms. Tsang Wing Yee on 31 May 2025, 29 January 2026 and 6 March 2026, respectively, obtained the legal opinion referred to in Rule 3.09D of the Listing Rules, and became aware of all the requirements of the Listing Rules applicable to them as directors of listed issuers, as well as the possible consequences of making a false statement or providing false information to the Stock Exchange. Each of Mr. Chen Wenshui, Mr. Chen Dongxu and Ms. Tsang Wing Yee confirmed that they are aware of her responsibilities as directors of listed issuers.

Chairman and chief executive officer

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

The position of chairman has been held by Mr. Chen Dongxu and chief executive officer has been held by Mr. Huang Tiansheng, which is in compliance with the Code Provision.

Board of Directors (continued)

Independent non-executive Directors

The Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise during the Year.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Independent views and input

In order to ensure independent views and input are available to the Board, the following mechanisms, among other things, have been established.

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time). Independent non-executive Directors are also appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available.

The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors. The Board also requires each independent non-executive Director to provide written confirmation as to the factors affecting their independence provided under the Listing Rules every year.

The chairman of the Board meets with the independent non-executive Directors regularly without the presence of the other Directors.

In addition, the Directors may seek advice from external independent professional advisors at the Company's expense to perform their duties.

The Board reviewed the aforementioned mechanisms and considered that the same was implemented and effective for the year ended 31 December 2025.

Appointment and re-election of Directors

All Directors hold office subject to provision of retirement and rotation of directors under the bye-laws of the Company ("**Bye-Laws**").

Pursuant to Bye-Law 99, subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting ("**AGM**"), one-third of the Directors for the time being (of if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Bye-Law 91 shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Bye-Law 91 provides that the Directors may appoint any person to be a Director as an additional Director or to fill a casual vacancy but so that the maximum number of Directors so appointed shall not exceed the number determined from time to time by the members in general meeting. Any Directors so appointed shall hold office only until the first AGM of the Company after his appointment, and shall then be eligible for re-election.

Board of Directors (continued)

Appointment and re-election of Directors (continued)

Pursuant to the Bye-Laws, Mr. Huang Tiansheng, Mr. Choi Wai Hong, Clifford, Ms. Chan Siu Mat, Mr. Chen Wenshui, Mr. Chen Dongxu and Ms. Tsang Wing Yee shall retire at the upcoming AGM of the Company. All the said Directors are eligible for re-election and have indicated that they will offer themselves for re-election at the upcoming AGM of the Company. The Board and the Nomination Committee recommended the re-appointment of said Directors standing for re-election at the upcoming AGM. For further details, please refer to the circular of the Company, which shall be despatched together with this annual report.

Board meetings

For the year ended 31 December 2025, the Board performed, by means of meetings and/or written resolutions, the following major duties, among other things:

i. discussed and approved the overall strategies and policies of the Company;

ii. reviewed and approved the unaudited interim results of the Group for the six months ended 30 June 2025;

iii. reviewed and approved the audited annual results of the Group for the year ended 31 December 2024; and

iv. reviewed the risk management and internal control systems of the Group.

Continuous professional development of Directors

Directors shall keep abreast of the latest developments in areas, including laws and regulations, the Listing Rules, as well as industry-specific and innovative changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is supplemented by visit(s) to the key place(s) of business of the Group and meetings with senior management of the Company, where appropriate.

Pursuant to Code Provision C.1.4, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The existing Directors are continually updated with legal and regulatory developments as well as the business and market changes to refresh their knowledge and skills and to facilitate the discharge of their responsibilities. The Company arranges continuous professional development trainings and provides reading materials on relevant topics for Directors whenever necessary at the Company's expenses.

Board of Directors (continued)

Continuous professional development of Directors (continued)

The existing and former Directors' continuous professional records of training relevant to (i) the Company's industry, strategies and business, (ii) director's duties and/or corporate governance, (iii) financial reporting and risk management, and/or (iv) legislative and regulatory compliance for the year ended 31 December 2025 are summarised as follows:

Name of Directors	Attended training, briefings, seminars, conferences and workshops	Read news alerts, newspapers, journals, magazines and publications
Executive Directors		
Mr. Lin Ruqing	√	√
Mr. Huang Tiansheng	√	√
Non-executive Directors		
Mr. Zhang Xiaohui	√	√
Mr. Choi Wai Hong, Clifford	√	√
Independent non-executive Directors		
Mr. Wong Yiu Kit, Ernest	√	√
Mr. Zhao Lin(Note 2)	√	√
Ms. Chan Siu Mat	√	√
Mr. Chen Wenshui(Note 1)	√	√

Notes:

1. Mr. Chen Wenshui was appointed as independent non-executive Director with effect from 31 May 2025.

2. Mr. Zhao Lin resigned as independent non-executive Director with effect from 31 May 2025.

Board Committees

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each committee has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference, which are available at the websites of the Company and the Stock Exchange. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code.

The Audit Committee currently comprised three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Choi Wai Hong, Clifford, Ms. Tsang Wing Yee and Ms. Chan Siu Mat. Ms. Tsang Wing Yee, who possessed the appropriate professional qualification or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include (i) monitoring the integrity of the financial statements, (ii) reviewing the effectiveness of internal controls, risk management systems, scope of audit and arrangements for employees of the Company to raise concerns about possible wrongdoing in financial reporting or other matters, (iii) considering and making recommendations to the Board in relation to the appointment of external auditor, and approving the remuneration and terms of engagement of external auditor, and (iv) making recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

During the year ended 31 December 2025, the Audit Committee held two (2) meetings and performed the following major duties, among other things:

i. reviewed and approved the audited annual results of the Group for the year ended 31 December 2024;

ii. reviewed the interim report for the six months ended 30 June 2025, the unaudited interim results of the Group for the six months ended 30 June 2025 and relevant accounting principles and practices adopted by the Group;

iii. discussed matters with respect to effectiveness of the Company's financial reporting system, the system of internal control in operation, risk management system and associated procedures within the Group with senior management members and external auditor;

iv. reviewed the risk management and internal control systems of the Group;

v. reviewed the status of compliance with the CG Code, the Listing Rules and relevant laws by the Group.

The Audit Committee considers that the final financial results for the year ended 31 December 2025 are in compliance with the relevant accounting standards, rules and regulations, and appropriate disclosures have been duly made.

Board Committees (continued)

Audit Committee (continued)

The Audit Committee also met the external auditors twice without the presence of the executive Directors to discuss audit and financial reporting matters. The Audit Committee is satisfied with the independence and engagement of the external auditor, RSM Hong Kong, and has recommended its re-appointment.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code.

The Remuneration Committee currently comprises three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Chen Dongxu, Mr. Chen Wenshui and Ms. Chan Siu Mat. Mr. Chen Wenshui remains as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include (i) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management as well as the remuneration of non-executive Directors, and (ii) reviewing the ongoing appropriateness of the remuneration policy.

During the year ended 31 December 2025, the Remuneration Committee held one (1) meeting and performed the following major duties, among other things, (i) reviewing and determining the policy for the remuneration of executive Directors, (ii) assessing performance of executive Directors, (iii) reviewing and/or approving the terms of executive Directors' service contracts, (iv) reviewing the remuneration packages of the Directors and senior management, and (v) reviewing the share option scheme of the Company.

The emoluments paid or payable to the Directors during the year ended 31 December 2025 are set out in Note 15(a) to the consolidated financial statements in this annual report.

Pursuant to Code Provision E.1.5, the remuneration payable to members of senior management (including Directors) by band for the year ended 31 December 2025 is set out as follows:

Remuneration bands	Number of individuals
HK$0 to HK$250,000	9

For further details of the remuneration for the year ended 31 December 2025, please refer to Note 14 to the consolidated financial statements contained in this annual report.

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with the CG Code.

The Nomination Committee currently comprises three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Chen Dongxu, Mr. Chen Wenshui and Ms. Chan Siu Mat. Mr. Chen Wenshui remains as the chairman of the Nomination Committee.

Board Committees (continued)

Nomination Committee (continued)

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board regarding any proposed changes to complement the Company's corporate strategy, (ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, (iii) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman and the chief executive officer), and (iv) assessing the independence of independent non-executive Directors.

During the year ended 31 December 2025, the Nomination Committee held one (1) meeting, and performed the following major duties, among other things, (i) reviewing the structure, size and composition of the Board, (ii) making recommendations to the Board on the re-appointment of Directors, (iii) assessing the independence of the independent non-executive Directors, and (iv) reviewing and/or determining the nomination policy and board diversity policy. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The procedures for the appointment, re-election and removal of directors are set out in the Bye-Laws.

Directors' Remuneration Policy

The Company's remuneration policy is primarily based on (i) the responsibilities of the role, (ii) the skills, knowledge and experience of the individual, (iii) the time commitment required of the role, (iv) the prevailing market rate of companies of comparable size and/or business, and (v) the performance of the Group and individuals concerned. It is subject to periodic review to ensure that the Company offers rewards that secure and retain high calibre individuals.

Board Diversity Policy and Nomination Policy

The Company has adopted the board diversity policy as the Board believes that increasing diversity at the Board level is an important part of achieving its strategic objectives, improving its decision-making and will ultimately benefit the Shareholders and the Company's other stakeholders. The board diversity policy sets out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience, knowledge and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

On gender diversity, the Board has one female Director on the Board and has a goal to have not less than 20% female representation on the Board and, over time, will expect female representation to increase further. It is recognised that periods of change in Board composition may result in temporary periods when such objective is not achieved.

The Board currently consists of six male Directors and two female Directors with a balanced mix of knowledge and skills.

Board Diversity Policy and Nomination Policy (continued)

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2025, the gender ratio in the workforce (including senior management) was approximately 27.5 males to 10 females. The Company aims to achieve a more balanced gender ratio in the workforce next year.

The Company has also adopted the nomination policy, which sets out the nomination procedures for selecting candidates for election as Directors and is administered by the Nomination Committee.

Evaluation and selection of Board candidates shall be based on factors, including but not limited to skills, experience and expertise, integrity as well as board diversity.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall review the board diversity policy and the nomination policy and the measurable objectives from time to time as appropriate to ensure the effectiveness of such policies. The Nomination Committee will discuss any revisions to the board diversity policy and/or the nomination policy that may be required and make recommendations to the Board for approval, when appropriate.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision A.2.1.

During the year ended 31 December 2025, the Board reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

Directors' Attendance Records

During the year ended 31 December 2025, the Company held two (2) Board meetings, two (2) Audit Committee meetings, one (1) Remuneration Committee meeting, one (1) Nomination Committee meeting and two (2) general meetings.

Code Provision C.5.1 provides that Board meetings are to be convened regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

Directors' Attendance Records (continued)

During the year ended 31 December 2025, the Board convened a total of two Board meetings based on the needs of the operations and business development of the Group, instead of holding at least four regular board meetings during the Year as required under code provision C.5.1 of the Code. Each Board meeting had been arranged to discuss multiple topics and resolutions. During the year ended 31 December 2025, the Directors were provided with all relevant information on an ongoing basis to enable them to stay informed of the Group's development progress and to make swift decisions as required. The Company will consider holding more regular Board meetings in the coming year to comply with the requirements under the said code provision.

The attendance records of each Director at the aforesaid meetings of the Company held during the year ended 31 December 2025 are set out below:

	Attendance/number of meeting(s) held				
Name of Directors	**Board meeting(s)**	**Audit Committee meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**General meeting(s)**
Executive Directors					
Mr. Huang Tiansheng	2/2	N/A	N/A	N/A	2/2
Mr. Lin Ruqing	2/2	N/A	N/A	N/A	2/2
Non-executive Directors					
Mr. Zhang Xiaohui	2/2	N/A	1/1	1/1	2/2
Mr. Choi Wai Hong, Clifford	2/2	2/2	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Wong Yiu Kit, Ernest	2/2	2/2	N/A	N/A	2/2
Mr. Zhao Lin[(Note 1)]	1/2	N/A	1/1	1/1	2/2
Ms. Chan Siu Mat	2/2	2/2	1/1	1/1	1/1
Mr. Chen Wenshui[(Note 2)]	1/2	N/A	N/A	N/A	N/A

Notes:

1. Mr. Zhao Lin resigned from his position as independent non-executive Director with effect from 31 May 2025.

2. Mr. Chen Wenshui was appointed as independent non-executive Director with effect from 31 May 2025.

Apart from the above meetings, the chairman of the Board has held at least one meeting with independent non-executive Directors during the year ended 31 December 2025 without the presence of other Directors.

Directors' Attendance Records (continued)

The Company has adopted the Code Provisions of the CG Code that notices of at least 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice will be given.

An agenda, accompanying Board papers and all appropriate, complete and reliable information are sent to all Directors, in a timely manner, at least three days before intended date of each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company, to facilitate the discharge of their duties and to enable them to make informed assessment and decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft and final versions of minutes of the meetings are sent to all Directors for their comment and records within a reasonable time after the meeting.

The Bye-Laws contain provisions requiring Directors not to vote or be counted in the quorum on any resolution of the Directors approving any contract, arrangement or other proposal in which he/she or any of his/her associates has a material interest.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness at least once a year, in order to protect the Shareholders' investments and the Company's assets. The systems are designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems. The Company recognises the importance of establishing and continually improving its risk management and internal control systems.

Having regard to the size and scale of operations, the Group currently has no internal audit function. The Company has engaged an external independent consultant to facilitate the discharge of establishing and maintaining an internal audit function for the Group. The external independent consultant has assisted the Audit Committee and the Board in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2025.

Risk Management and Internal Control (continued)

Having reviewed the risk management and internal control systems, including the financial, operational and compliance controls, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as those relating to the Company's ESG performance and reporting for the year ended 31 December 2025, the Audit Committee and the Board were not aware of any significant incidence of failure in connection with financial, operational and compliance control or material non-compliance for the year ended 31 December 2025. Based on the above, the Company considered its risk management and internal control systems effective and adequate.

Whistleblowing Policy

The Company has adopted arrangement to facilitate employees and external parties who deal with the Company to raise concerns, in confidence and anonymity, about actual or suspected misconduct or malpractice in the Company.

The Audit Committee shall review the whistleblowing mechanism regularly to improve its effectiveness and employee confidence in the process and to encourage a culture of openness.

Inside Information

The Company is aware of and strictly complies with the requirements of the currently applicable laws, regulations and guidelines, including the obligations to disclose inside information under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") and the Listing Rules, and the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission, at the time when the relevant businesses are transacted. The Group has established the authority and accountability, as well as the handling and dissemination procedures in relation to inside information, and has communicated to all relevant personnel and provided them with specific trainings in respect of the implementation of the continuous disclosure policy.

The Board considers that the Company's handling and dissemination procedures and measures in relation to inside information are effective.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2025.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

Directors' Responsibilities in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2025.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management has provided to the Board necessary explanation and information to enable the Board to carry out an informed assessment of the Company's financial information and position, which are put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2025 is set out in the section headed "Independent Auditor's Report" in this annual report.

External Auditor and Auditor's Remuneration

Special general meeting of the Company was held on 25 August 2021, during which the ordinary resolution to appoint RSM Hong Kong as the auditor of the Company was duly passed by the Shareholders by way of poll. RSM Hong Kong has been re-appointed as the auditor of the Company with effect from 20 May 2025.

The total fee paid/payable to the external auditor of the Company, RSM Hong Kong, for the year ended 31 December 2025 is set out below:

Categories of services	**Fee paid/payable** HK$'000
Audit services	
— audit fee for the year ended 31 December 2025	780
Non-audit services for the year ended 31 December 2025	20

Authorised Representatives

Rule 3.05 of the Listing Rules stipulated that every listed issuer shall appoint two authorised representatives who shall act at all times as the listed issuer's principal channel of communication with the Stock Exchange.

Mr. Chen Dongxu and Dr. Wong Chi Ho, Raymond have been appointed as the authorised representatives of the Company with effect from 29 January 2026 and 26 January 2022, respectively. For further details, please see the announcement of the Company dated 29 January 2026 and 26 January 2022, respectively.

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond and Ms. Li Jing have been appointed as the joint company secretaries of the Company with effect from 26 January 2022. For the biographies of Dr. Wong Chi Ho, Raymond and Ms. Li Jing, please refer to the section headed "Biographies of Directors, senior management and company secretaries" in this annual report.

Dr. Wong Chi Ho, Raymond is responsible for advising the Board on corporate governance matters and ensuring that the Company's policies and procedures, as well as the applicable laws, rules and regulations are complied with. He has assisted on the company secretarial matters of the Company and has closely communicated with Ms. Chen Yaling, the current chief financial officer and primary corporate contact person of the Company.

During the year ended 31 December 2025, each of Dr. Wong Chi Ho, Raymond and Ms. Li Jing has taken no less than 15 hours of relevant professional training.

Communications with Shareholders and Investors

The Company recognises the importance of effective communication with the Shareholders and has adopted a shareholders' communication policy for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Board also considers that transparency and timely disclosure of its corporate information are crucial to enable the Shareholders and investors to make informed investment decisions.

General meetings of the Company provide a platform for communication between the Directors, senior management and the Shareholders. Directors and senior management of the Company are available to answer enquiries raised by the Shareholders at such meetings. The external auditor of the Company is also invited to attend the AGMs of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

During the year ended 31 December 2024, the Company held an AGM on 20 May 2025. Notice of the meeting was sent to the Shareholders on 24 April 2025.

On 20 May 2025, the executive Directors, namely Mr. Lin Ruqing and Mr. Huang Tiansheng; the non-executive Directors, namely Mr. Zhang Xiaohui (being the chairman of the Board) and Mr. Choi Wai Hong, Clifford; and the independent non-executive Directors, namely Mr. Wong Yiu Kit, Ernest (being the chairman of the Audit Committee), Ms. Chan Siu Mat and Mr. Zhao Lin (being the chairman of the Remuneration Committee and the Nomination Committee); and a representative of the external auditor attended the AGM and were available to respond to questions raised by the Shareholders.

The Company maintains a website at www.cndnewin.com where information on the Company's announcements, financial information and other information are available for public access.

Communications with Shareholders and Investors (continued)

Any Shareholders' enquiries regarding their shareholding, including transfer of shares, change of address, report of lost share certificates, can be directed to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, as follows:

Address: Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong

Contact: (852) 2153 1688

Fax: (852) 3020 5058

Website: https://www.boardroomlimited.com/hk

The Board conducted a review of the implementation and effectiveness of the shareholders' communication policy. Having considered the multiple channels of communication in place as disclosed above, the Board is satisfied that the shareholders' communication policy has been properly implemented and effective for the year ended 31 December 2025.

Shareholders' Rights

In order to protect the Shareholders' interests and rights, separate resolutions are proposed for each substantially separate issue, including the election of individual Directors, at general meetings for the Shareholders' consideration and approval. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Procedures for Shareholders to convene special general meeting

Bye-Law 57 provides that a special general meeting shall also be convened on the written requisition of any two or more members holding at the date of the deposit of the requisition in aggregate not less than one-tenth of the voting rights, on a one vote per share basis, in the paid-up share capital of the Company as at the date of the deposit. Such requisitionists must state the objects of the meeting and must be signed by the requisitionists and deposited at the office.

If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

Procedures for Shareholders to propose a person for election as a director

Pursuant to Bye-Law 89, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing by a member (not being the person to be proposed) of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Shareholders' Rights (continued)

Procedures for Shareholders to propose a person for election as a director (continued)

As such, if a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong. The notice must (i) include the personal information of the candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Putting forward proposals at general meetings

Shareholders who wish to put forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above.

Putting forward enquiries to the Board

For putting forward any enquiry to the Board, Shareholders and investors may send written enquiries or requests to the Company for the attention of the Board. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders and investors may send their enquiries or requests as mentioned above to the following:

Address: Rooms 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200, Connaught Road Central, Hong Kong

Email: info@cndnewin.com

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

Change in constitutional documents

During the year ended 31 December 2025, no changes were made to the Bye-Laws. The Bye-Laws is available on the websites of the Company and the Stock Exchange.

Dividend Policy

Pursuant to Code Provision F.1.1, the Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio.

For further details of the dividend policy, please refer to the section headed "Report of the Directors — Dividend" in this annual report.

Report of the Directors

The Board is pleased to present this Directors' report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025.

Principal Business

The Company is an investment holding company. The Group is principally engaged in (a) manufacturing and selling of paper products in the People's Republic of China (the "**PRC**") and (b) trading.

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2025 using financial key performance indicators and the material factors underlying its results and financial position, significant events after the financial year end date as well as an indication of likely future developments in the Group's business are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. Description of the principal risks and uncertainties facing the Group is set out in the "Management Discussion and Analysis" on page 6 of this annual report. These discussions form part of this Directors' report.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements of the Company.

Results

The results of the Group for the year ended 31 December 2025 are set out in the consolidated financial statements on pages 113 to 114 of this annual report.

Financial Summary

A summary of the Group's results, assets and liabilities for the last five financial years/period are set out on page 180 of this annual report. This summary does not form part of the audited consolidated financial statements.

Annual General Meeting and Closure of Register of Members

The AGM of the Company will be held on Tuesday, 20 May 2026. The notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 13 May 2026 to Wednesday, 20 May 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Tuesday, 12 May 2026.

Dividend

Any declaration and payment as well as the amount of dividends will be subject to the Bye-Laws and the Companies Act of Bermuda.

The Bye-Laws provide that the Company in general meeting may declare dividends, in any currency, to be paid to the Shareholders. No dividend shall be declared or paid and no distribution of contributed surplus shall be made otherwise than in accordance with the applicable statutes of Bermuda. No dividend shall exceed the amount recommended by the Directors, nor bear interest against the Company.

Pursuant to Code Provision F.1.1, the Company has adopted a dividend policy on payment of dividends. In determining whether dividends are to be declared and paid, the Board will take into account (i) the financial performance of the Company, (ii) the reasonable return in investment of the investors and the Shareholders in order to provide them with incentives in furtherance of their support in the Company's long-term development, (iii) the future development needs of the Company, (iv) the general market conditions, and (v) other factors deemed appropriate by the Board. The Board will review the dividend policy from time to time as appropriate.

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

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Relationships with Stakeholders

Employees

As at 31 December 2025, we had a total of 709 employees, who are substantially based in the PRC.

Our employees are mainly recruited through recommendations from our internal staff and recruitment websites and networks. Regular trainings relevant to safety, management system and job skills are provided to our employees.

The Group enters into standard agreements in relation to confidentiality and non-competition with its employees. The confidentiality and non-competition provisions set out therein are generally effective during and after their term of employment.

None of our employees are currently represented by labour unions. The Company believes that a good working relationship has been maintained with our employees, and the Group has not experienced any significant labour disputes or any difficulty in recruiting staff for the Group's operations during the year ended 31 December 2025 and up to the date of this report.

Relationships with Stakeholders (continued)

Customers and suppliers

The customers of the Group, which primarily consist of packaging paper distributors, are mainly based in the PRC. The credit terms of account receivables generally range from 0 to 90 days.

The suppliers of the Group, which primarily consist of waste paper suppliers and energy suppliers, are mainly based in the PRC. The suppliers are selected by the Group with reference to factors including reputation, quality, supply capacity, price, experience and compliance with applicable laws and regulations.

Major Customers and Suppliers

For the year ended 31 December 2025, the Group's sales to its five largest customers, which include Xiamen C&D Paper & Pulp and 山東佰潤紙業有限公司 (Shandong Bairun Paper Co., Ltd.*) ("**Shandong Bairun**"), accounted for approximately 44.8% of the Group's total revenue and the largest customer accounted for approximately 24.4% of the Group's total revenue.

For the year ended 31 December 2025, purchases from the Group's five largest suppliers accounted for approximately 34.6% of the Group's total purchases and the largest supplier accounted for approximately 10.5% of the Group's total purchases.

For further details, please refer to the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" and "Directors' Interests in Competing Businesses" in this Report of the Directors.

So far as the Directors are aware, save as disclosed above, none of the Directors, their close associates or any Shareholders holding more than 5% of the number of issued shares of the Company had any interests in any of our five largest customers during the year ended 31 December 2025 and up to the date of this annual report.

So far as the Directors are aware, save as disclosed above, none of the Directors, their close associates or any Shareholders holding more than 5% of the number of issued shares of the Company had any interests in any of our five largest suppliers during the year ended 31 December 2025 and up to the date of this annual report.

Xiamen C&D Paper & Pulp is a company incorporate in the PRC with limited liability which is the ultimate parent of the Company, Shandong Bairun is a company established in the PRC with limited liability, and is a wholly-owned subsidiary of Xiamen C&D Paper & Pulp. Mr. Huang Tiansheng is the executive director of Shandong Bairun.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group as at 31 December 2025 are set out in Note 27 to the consolidated financial statements of the Company.

Charitable Donations

The Group donated funds and supplies of approximately HK$nil during the year ended 31 December 2025.

Share Capital

As at 31 December 2025, the issued share capital of the Company was 1,414,600,832 Shares.

Details of any movements in the share capital of the Company for the year ended 31 December 2025 are set out in Note 29 to the consolidated financial statements of the Company.

Reserves

Details of movements in the reserves of the Company during the year ended 31 December 2025 are set out on page 117 in the consolidated statement of changes in equity in this annual report.

Distributable Reserves

Details of the Company's reserves available for distribution to Shareholders are set out in Note 30(b) to the consolidated financial statements of the Company.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in Note 18 to the consolidated financial statements of the Company.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws or the laws of Bermuda that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Purchase, Sale or Redemption of Company's Listed Securities

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

Directors and Senior Management

The Directors and senior management of the Company during the year ended 31 December 2025 and up to the date of this annual report are set out below:

Name	Position(s) in the Company
Directors	
Mr. Lin Ruqing	Executive Director
Mr. Huang Tiansheng	Executive Director and Chief Executive Officer
Mr. Chen Dongxu	Chairman of the Board, Non-executive Director and Authorised Representative
Mr. Choi Wai Hong, Clifford	Non-executive Director
Mr. Zhao Lin	Independent Non-executive Director (resigned on 31 May 2025)
Mr. Chen Wenshui	Independent Non-executive Director (appointed on 31 May 2025)
Mr. Wong Yiu Kit, Ernest	Independent Non-executive Director (ceased on 24 January 2026)
Ms. Hong Ting	Independent Non-executive Director (resigned on 28 February 2025)
Ms. Chan Siu Mat	Independent Non-executive Director (appointed on 28 February 2025)
Ms. Tsang Wing Yee	Independent Non-executive Director (appointed on 6 March 2026)
Senior management	
Mr. Lin Henghui	Chief Financial Officer (resigned on 21 November 2025)
Ms. Chen Yaling	Chief Financial Officer (appointed on 21 November 2025)

To the best of the Directors' knowledge, information and belief, save as disclosed in this annual report, the Directors and senior management do not have any relationship, including financial, business, family or other material/relevant relationships, amongst them.

In accordance with Bye-Law 91, Mr. Chen Wenshui, Mr. Chen Dongxu and Ms. Tsang Wing Yee will retire and, being eligible, has offered themselves for re-election as Directors at the upcoming AGM of the Company.

In accordance with Bye-Law 99, Mr. Huang Tiansheng, Mr. Choi Wai Hong Clifford and Ms. Chan Siu Mat will retire by rotation and, being eligible, have offered themselves for re-election as Directors at the upcoming AGM of the Company.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under statutory compensation.

Biographies of the Directors and senior management are set out on pages 10 to 13 of this annual report.

Directors' Service Agreements

Each of executive Director, non-executive Director and independent non-executive Director has entered into a service contract with the Company for a fixed term of three years commencing from the date of the service contract. These service agreements may be terminated pursuant to their respective terms and may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Bye-Laws.

Independence of Independent Non-executive Directors

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

Remuneration of Directors and Five Highest Paid Individuals

For the year ended 31 December 2025, as determined by the Remuneration Committee with reference to the Directors' position, level of responsibilities and remuneration policy of the Company as well as the prevailing market conditions,

i. each of Mr. Huang Tiansheng, Mr. Lin Ruqing and Mr. Zhang Xiaohui would not receive any emolument but would be entitled to discretionary bonus and/or other benefits, *inter alia*, Director's insurance, business travel insurance, as may be further decided by the Board upon the recommendation of the Remuneration Committee from time to time; and

ii. each of Mr. Choi Wai Hong, Clifford, Mr. Zhao Lin, Mr. Wong Yiu Kit, Ernest, Ms. Hong Ting, Ms. Chan Siu Mat and Mr. Chen Wenshui was entitled to an annual emolument of RMB150,000, RMB100,000, RMB100,000, RMB100,000, RMB85,000 and RMB60,000, respectively, in addition to any discretionary bonus and/or other benefits, *inter alia*, Director's insurance, business travel insurance, as may be decided further by the Board upon the recommendation of the Remuneration Committee from time to time.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2025 are set out in Notes 14 and 15 to the consolidated financial statements of the Company.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2025, so far as is known to any Director or chief executive of the Company, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2025, so far as the Directors are aware, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held[Note 1]	Approximate percentage of shareholding interest in the Company (%)[Note 1]
NCD Investment Holding Limited ("**NCD**")[Note 2]	Beneficial owner	990,220,583 (L)	70.00
Hong Kong Paper Sources Co. Limited ("**HK Paper Sources**")[Note 2]	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發漿紙集團有限公司[Note 2]	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發股份有限公司[Note 2]	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發集團有限公司[Note 2]	Interest of controlled corporation	990,220,583 (L)	70.00
廈門市人民政府國有資產監督管理委員會[Note 2]	Interest of controlled corporation	990,220,583 (L)	70.00
Quinselle Holdings Limited[Note 3]	Beneficial owner	73,059,817 (L)	5.16
Lee Seng Jin[Note 3]	Beneficial owner	12,845,969 (L)	6.08
	Interest of controlled corporation	73,059,817 (L)	
	Interest of spouse	114,511 (L)	
Sham Yee Lan Peggy[Note 3]	Beneficial owner	114,511 (L)	6.08
	Interest of spouse	85,905,786 (L)	

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (continued)

Interests in Shares and underlying Shares of the Company (continued)

Notes:

1. As at 31 December 2025, the Company had issued 1,414,600,832 Shares in total. The letter "L" denotes the person's long position in the Shares.

2. The Company issued 990,220,583 Shares to NCD on 26 January 2022. NCD is direct wholly-owned by HK Paper Sources.

   HK Paper Sources, is direct wholly-owned by Xiamen C&D Paper & Pulp. Xiamen C&D Paper & Pulp is direct wholly-owned by 廈門建發股份有限公司 (Xiamen C&D Inc.*), the shares of which are listed on Shanghai Stock Exchange (stock code: 600153.SH). 廈門建發集團有限公司 (Xiamen C&D Group Co., Ltd.*), being a controlling shareholder of Xiamen C&D Inc., is direct wholly-owned by 廈門市人民政府國有資產監督管理委員會 (Xiamen Municipal People's Government State-owned Assets Supervision and Administration Commission*).

   As at the Latest Practicable Date, (i) Mr. Huang Tiansheng, being the executive Director and chief executive officer of the Company, is the director of NCD, general manager of the paper business of Xiamen C&D Paper & Pulp and director of HK Paper Sources, and (ii) Mr. Chen Dongxu, being a non-executive Director, is the vice general manager of Xiamen C&D Inc. and director of HK Paper Sources.

3. As at 31 December 2025, 73,059,817 Shares were held by Quinselle Holdings Limited which was wholly-owned by Mr. Lee Seng Jin (being the former executive Director, chairman and chief executive officer of the Company). Mr. Lee Seng Jin was therefore deemed under the SFO to be interested in such Shares held by Quinselle Holdings Limited.

   Both Mr. Lee Seng Jin and Ms. Sham Yee Lan Peggy (being the former executive Director and deputy chief executive officer of the Company) are also deemed to be interested in the Shares held by each other due to their spousal relationship.

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2025, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no Director nor an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2025.

Permitted Indemnity Provision

The Bye-Laws provide that every Director, auditor, secretary or other officer of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto.

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended 31 December 2025.

Contract of Significance with Controlling Shareholder

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2025.

Directors' Interests in Competing Businesses

On 22 November 2023, HK Paper Sources completed the subscription of shares in China Sunshine Paper Holdings Company Limited ("**China Sunshine**") and Mr. Chen Dongxu, a non-executive Director and chairman of the Company, was appointed as non-executive director of China Sunshine on 29 January 2026. China Sunshine is principally engaged in the production/generation and sale of paper products, electricity and steam.

Save as disclosed in this annual report, to the best knowledge of the Board, none of the Directors, or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the business of the Group for the year ended 31 December 2025.

Continuing Connected Transactions

Renewed Paperboard Sales Framework Agreement

On 13 November 2023, UPPSD, an indirect wholly-owned subsidiary of the Company, (as vendor) entered into a renewed paperboard sales framework agreement (the "**Renewed Paperboard Framework Agreement**") with Xiamen C&D Paper & Pulp (as purchaser) for the sale and purchase of coated duplex board and kraft linerboard produced by UPPSD (the "**Paperboard Products**") on a non-exclusive basis from time to time for a fixed term from 1 January 2024 to 31 December 2026.

The unit price of the Paperboard Products will be determined with reference to the prevailing market price in Mainland China for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers. In case of an increase in the prevailing market price of the Paperboard Products or the raw materials needed to produce the Paperboard Products before the Paperboard Products are delivered to Xiamen C&D Paper & Pulp pursuant to an order, UPPSD is entitled to adjust the unit price of the Paperboard Products in accordance with the price update letter issued to the customers, including Xiamen C&D Paper & Pulp. Based on the principles applied by the core management team of UPPSD, UPPSD will issue price update letter to notify the customers the recent pricing changes in accordance to the assessment of the core management team on the market trend and the pricing strategy.

For the year ended 31 December 2025, the proposed cap for the transaction amount under the Renewed Paperboard Framework Agreement was RMB650,000,000. The actual transaction amount under the Renewed Paperboard Framework Agreement for the year ended 31 December 2025 was approximately RMB535,811,000.

Paper Pulp Procurement Framework Agreement

On 13 November 2023, UPPSD also entered into the paper pulp procurement framework agreement (the "**Paper Pulp Framework Agreement**") with Xiamen C&D Paper & Pulp for the procurement of paper pulp products (the "**Paper Pulp Products**") sourced by Xiamen C&D Paper & Pulp from time to time from 1 January 2024 to 31 December 2026.

The unit price of the Paper Pulp Products will be determined with reference to the prevailing market price in Mainland China for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers.

For the year ended 31 December 2025, the proposed cap for the transaction amount under the Framework Agreement was RMB100,000,000. The actual transaction amount under the Framework Agreement for the year ended 31 December 2025 was approximately RMB41,181,000.

Reasons for and benefits of the transactions

Under the Renewed Paperboard Framework Agreement and Paper Pulp Framework Agreement, UPPSD could continue to leverage on the industry leading position, the comprehensive value-added services and the sales network of Xiamen C&D Paper & Pulp in the forestry, paper pulp and paper products distribution industry to enhance its raw material procurement channel, expand its income stream and enhance its sales penetration. Having resourceful and reliable sales channel and raw material sourcing channel is crucial to the success of the Group. The commercial partnership with Xiamen C&D Paper & Pulp could also enhance the Group's portfolio and reputation which would gradually increase the bargaining power of the Group when negotiating with both the independent third party customers and the Paper Pulp Products suppliers.

Continuing Connected Transactions (continued)

Listing Rules implications

NCD, which is indirectly wholly-owned by Xiamen C&D Paper & Pulp is the controlling shareholder of the Company and interested in approximately 70% of the issued share capital of the Company, Xiamen C&D Paper & Pulp or any of its subsidiaries, each of which being an associate of NCD, is a connected person of the Company. As such, the transactions contemplated under the Renewed Paperboard Framework Agreement and Paper Pulp Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Independent non-executive Directors' confirmation

Independent non-executive Directors have confirmed that the above continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement (including the pricing policies set out therein) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Independent auditor's confirmation

RSM Hong Kong, the Company's independent auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

RSM Hong Kong has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above pursuant to Rule 14A.56 of the Listing Rules.

RSM Hong Kong has confirmed in a letter to the Board that, nothing has come to their attention that causes the auditor to believe that the transactions under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Framework Agreement; and (iv) have exceeded the cap.

Related Party Transactions

Details of the related party transactions carried out in the normal course of business are set out in Note 34 to the consolidated financial statements of the Company.

Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

Share Option Scheme

At the special general meeting of the Company held on 18 September 2015, the Shareholders approved the adoption of a share option scheme (the "**Share Option Scheme**") which complies with the requirements under the then existing Chapter 17 of the Listing Rules.

No option has been granted, exercised, cancelled or lapsed since the date of adoption of the Share Option Scheme. There are therefore no outstanding options at the beginning and at the end of the year ended 31 December 2025.

The principal terms and conditions of the Share Option Scheme are set out below.

i. Purpose

The purpose of the Share Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "**Invested Entity**").

ii. Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

iii. Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Share Option Scheme.

The total number of options available for grant under the Share Option Scheme as at the beginning and as at 17 September 2025 (the "**Expiry Date**") were both 14,107,582 Shares, representing 10% of the total number of shares of the Company (the "**Shares**") in issue (1,141,075,827 Shares) as at the date of adoption of the Share Option Scheme on 18 September 2015.

The total number of Shares available for issue under the Share Option Scheme is 114,107,582 Shares which represents approximately 8.07% of the total number of Shares (excluding treasury shares) (1,414,600,832 Shares) in issue as at the Expiry Date.

iv. Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

Share Option Scheme (continued)

v. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Share Option Scheme.

vi. The amount payable on acceptance of the option is HK$1.00 and payments must be made within 28 days from the date of grant.

vii. Exercise price

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

viii. Remaining life of the Share Option Scheme

The Share Option Scheme has expired on 17 September 2025.

Issue of Debentures

During the year ended 31 December 2025, no issuance of debentures was made by the Company.

Equity-linked Agreements

Save as disclosed in the paragraph headed "Share Option Scheme" in this section and otherwise disclosed in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during or subsisted at the end of the year ended 31 December 2025.

Corporate Governance

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this annual report.

Environmental Policies and Performance

It is our corporate and social responsibility to promote environmental protection. In this respect, the Group strives to minimise environmental impact by reducing our carbon footprint and to build our corporation in a sustainable way.

During the year ended 31 December 2025, we are subject to various environmental protection laws and regulations. For further details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this annual report and based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

Material Litigation

Save as otherwise disclosed in this annual report, the Group was not involved in any material litigation or arbitration during the year ended 31 December 2025 and up to the date of this annual report nor were the Directors aware of any material litigation or claims that were pending or threatened against the Group.

Compliance with Relevant Laws and Regulations

Save as disclosed in this annual report, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects for the year ended 31 December 2025.

Audit Committee

The Audit Committee, together with the management and the external auditor, have discussed and reviewed the accounting policies and practices adopted by the Group as well as the internal control matters.

The Audit Committee has also reviewed the consolidated financial statements of the Company for the year ended 31 December 2025, and considers that the consolidated financial statements of the Company for the year ended 31 December 2025 are prepared in accordance with the applicable accounting standards, laws and regulations and appropriate disclosures have been made.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by RSM Hong Kong.

RSM Hong Kong shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the upcoming AGM.

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 26 March 2021, and RSM Hong Kong has been appointed as the auditor of the Company with effect from 25 August 2021.

Save as disclosed above, the auditor of the Company has not been changed for the three years ended 31 December 2025.

By order of the Board
Mr. Chen Dongxu
Chairman of the Board

Hong Kong, 26 March 2026

About the Environmental, Social and Governance Report

C&D Newin Paper & Pulp Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group" or "we") hereby present this Environmental, Social and Governance Report (the "ESG Report") for the year ended 31 December 2025 (the "Reporting Period") in accordance with Appendix C2 – Environmental, Social and Governance Reporting Code (the "ESG Reporting Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In preparing this Report, the Group has strictly complied with the mandatory disclosure requirements set out in the ESG Reporting Code and has fully disclosed the relevant environmental, social and governance issues for the Reporting Period in accordance with the "comply or explain" principle.

Governance Structure

Board Responsibility for ESG Governance

The Board assumes ultimate responsibility for the formulation of the Group's ESG strategy, risk management, and related disclosures. It establishes the overall direction and governance framework for ESG management and oversees environmental, social and governance issues that may have a material impact on the Group's business operations, financial performance, and the interests of shareholders and other stakeholders.

The Group continuously enhances its ESG risk identification, assessment and management mechanisms, and conducts regular materiality assessments to identify material ESG issues. Based on the results, corresponding strategies, action plans, management indicators and targets are formulated. Through regular reporting by management, the Board reviews key performance results and progress against targets to ensure alignment between ESG management and the Group's overall strategic direction.

The Board also oversees senior management in implementing ESG policies and internal control systems, and periodically reviews the ESG Report and related disclosures to ensure that the information disclosed is true, accurate and complete in all material respects. Through ongoing supervision and review, the Group maintains appropriate and effective ESG risk management and internal control systems.

Risk Management and Internal Control Mechanism

Adhering to the principles of prudence and accountability, the Group has established a clearly structured management framework and institutional system covering major areas including environmental protection, human resources management, and supply chain management, thereby providing institutional support for ESG management.

To ensure the effectiveness of the risk management and internal control systems, the Group engages an independent third-party professional adviser annually to conduct assessments and reviews of its internal control and risk management. The results and recommendations for improvement are reported regularly to the Audit Committee. Through the Audit Committee, the Board continuously monitors significant risks and the operation of internal controls, and supervises management in implementing appropriate risk response and remedial measures.

Governance Structure (continued)

Commitment to Business Development and Compliance Management

The Group promotes business development while prudently assessing and managing its potential environmental and social impacts. The Group is committed to conducting operations in compliance with applicable requirements and creating sustainable value for shareholders and stakeholders.

During the Reporting Period, the Group was principally engaged in paper manufacturing in Shandong Province, the PRC. In response to structural changes in the pulp and paper industry chain and evolving market conditions, the Group has commenced pulp and paper trading as a prudent extension of its core business. The trading segment remains at an early development stage and has not had a material impact on the Group's overall operations.

During business expansion, the Group leverages the resource support of its controlling shareholder in the pulp and paper supply chain, combined with its accumulated industry expertise and management experience, to prudently advance relevant business development. The Board will continue to assess the potential impact of new business initiatives on the Group's financial position and risk profile.

Although the newly developed business remains at an early stage, it has been incorporated into the Group's overall risk management and compliance oversight framework to ensure that all operations comply with applicable laws and regulatory requirements in the jurisdictions where the Group operates. All business activities are conducted in strict accordance with local employment, environmental protection and other relevant legal requirements, while internal control and compliance management systems are continuously enhanced.

The Board will continue to monitor ESG-related risk exposures across different business segments and regions, and will review management policies and measures in a timely manner in line with business developments to ensure that the Group's governance framework remains appropriate and effective.

Reporting Principles

The Group has prepared, evaluated and presented the relevant information in this Report with reference to the ESG Reporting Code. The following four principles as outlined in the ESG Reporting Code have been incorporated into this Report:

1. **Materiality:** The Group shall report on environmental, social and governance issues that the Board determines to have a material impact on investors and other stakeholders. For the purpose of Part D of the ESG Reporting Code, the Group is required to disclose climate-related risks and opportunities that may reasonably be expected to affect its cash flows, access to finance and cost of capital in the short, medium or long term.

2. **Quantitative:** Key Performance Indicators (KPIs) relating to historical data in this Report shall be measurable. The Group shall set targets to reduce specific impacts so that the effectiveness of its ESG policies and management systems can be evaluated and validated. Quantitative information shall be accompanied by explanatory notes describing its purpose and impact, and, where appropriate, comparative data shall be provided.

Reporting Principles (continued)

3. **Balance:** The information presented in this Report shall provide an unbiased picture of the Group's performance in environmental, social and governance aspects, avoiding any selection, omission or presentation format that may inappropriately influence the decisions or judgements of report readers.

4. **Consistency:** The assumptions and calculation methodologies adopted for any KPIs shall be consistent with those used in previous years to ensure meaningful comparability of data. Where there are any changes in methodologies or assumptions compared with prior years, the Group will clearly disclose the nature of such changes and the reasons therefor, to maintain transparency and keep stakeholders duly informed.

Reporting Scope

The information presented in this Report covers the period from 1 January 2025 to 31 December 2025 (the "Reporting Period"). The reporting scope of this Report covers the Group's paper manufacturing segment and trading segment. The information disclosed in this Report is derived from multiple sources, including but not limited to: the Group's internal monitoring and management systems; implementation evidence of environmental, social and governance measures; the key performance indicators required under the ESG Reporting Code; and other annual quantitative data relating to the Group's business operations and ESG performance.

Stakeholder Engagement

The Group pays attention to the expectations and demands of its stakeholders, incorporates stakeholder collaboration into its strategic management, and has established a stakeholder engagement mechanism with both depth and breadth of coverage. During the Reporting Period, the Group proactively communicated its business progress and sustainability achievements, and collected the concerns and demands of various parties through multiple channels, including general meetings, regular information disclosures, industry exchanges, digital platforms and dedicated surveys.

The Group translates the collected stakeholder demands into actionable plans and incorporates them into its decision-making process, so as to achieve long-term co-creation of value while taking into account the interests of all parties, and further strengthen its operational resilience and sustainable development capabilities.

Stakeholder Engagement		Key Concerns	Primary Communication Channels
Internal stakeholders	Shareholders and Investors	• Return on investment • Profitability and financial stability and continuity • Information disclosure and transparency	• Regular reports • General meetings • Corporate website and email
	Employees	• Employee remuneration and benefits • Satisfaction with a healthy and safe working environment • Career development and training opportunities	• Regular meetings and training sessions • Performance appraisal • Team building activities

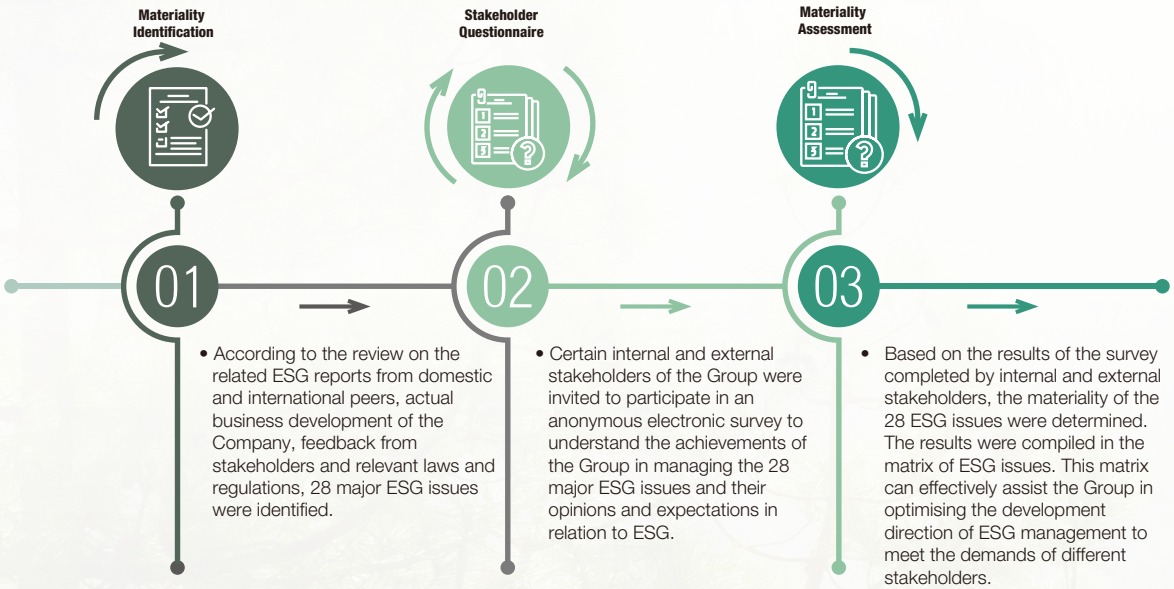
Stakeholder Engagement (continued)

Stakeholder Engagement		Key Concerns	Primary Communication Channels
External Stakeholders	Customers	• Quality products and services • Protection of customers' privacy and rights • Business ethics	• Customer service hotline & email • Face-to-face meetings and onsite visits • Customer satisfaction surveys
	Suppliers	• Fair, open and impartial procurement • Win-win cooperation • Environmental protection	• Open tendering procedures • Standard procurement procedures • Face-to-face meetings and onsite visits • Industry seminars
	Professional institutions	• Environmental protection and social responsibilities • Standardised staff conduct and business practices	• Questionnaires and online engagements • Telephone communications
	Government and regulatory bodies	• Compliance with laws, regulations and national policies • Occupational health and safety • Social welfare • Employment	• Monitoring of the compliance with the related laws and regulations • Routine reports and tax payments

Materiality Assessment

The Group identifies ESG issues that have a significant impact on its business operations and stakeholders based on the established framework. In the assessment process, we comprehensively consider the latest national and local policies and regulations, environmental management standards, industry development trends, and best practices of benchmark enterprises, to systematically identify key issues closely related to the Group's business.

During the Reporting Period, the Group continued to be guided by the established material issues and maintained attention to potential environmental, social and governance risks and opportunities. These issues have also been integrated into the Group's sustainability strategy and annual action plans to ensure the targeted and effective implementation of relevant measures, thereby supporting the Group's sustainability over the short, medium and long term.



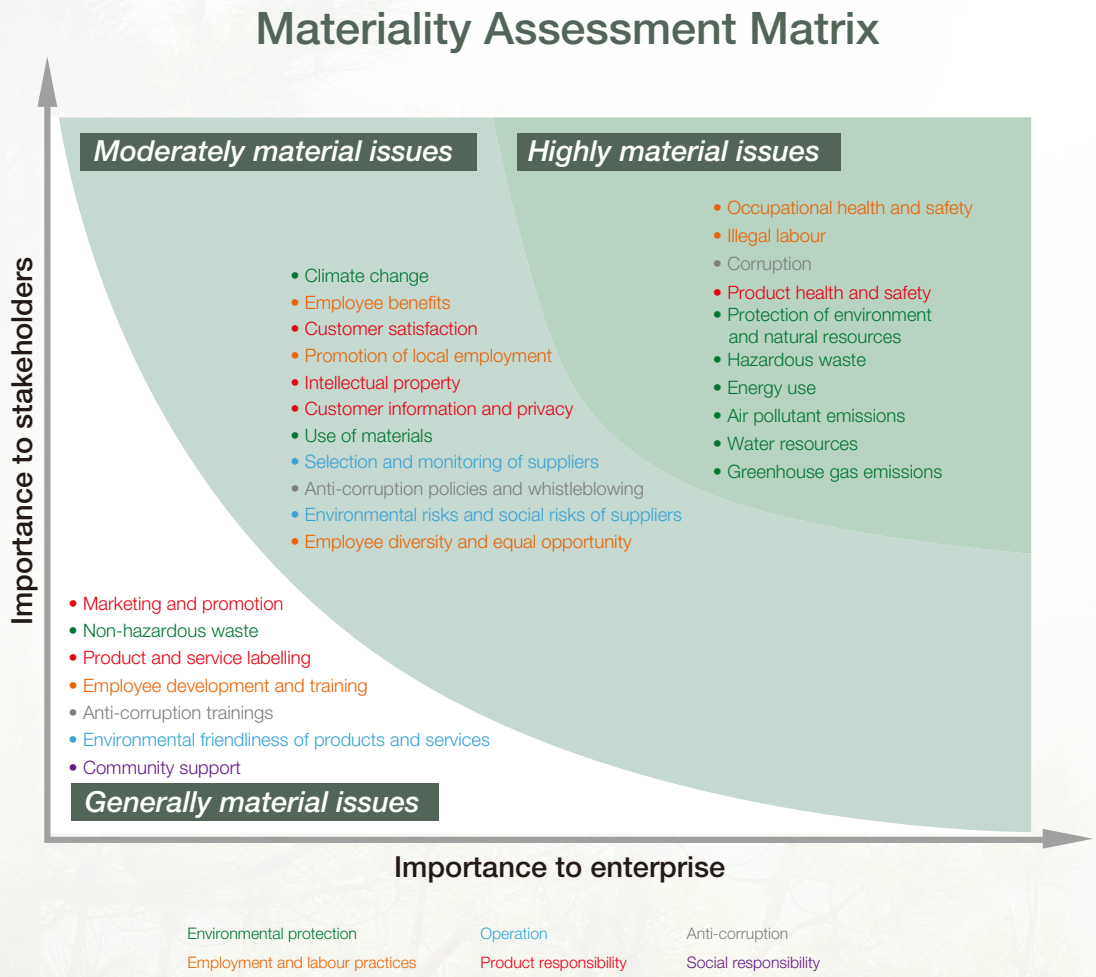
Materiality Assessment (continued)

The following table contains a list of key issues included in the assessment:

Item	ESG issues	Item	ESG issues
1	Customer information and privacy protection	15	Climate change
2	Occupational health and safety	16	Environmental risks (e.g. pollution) and social risks (e.g. monopoly, human rights) of suppliers
3	Product health and safety	17	Product and service labelling
4	Energy use (e.g. power, gas, fuel)	18	Anti-corruption trainings for directors and employees
5	Prevention of child labour and forced labour	19	Employee remuneration, benefits, and rights (e.g., working hours, rest periods, working conditions)
6	Number of concluded legal cases regarding corrupt practices (e.g. bribery, extortion, fraud and money laundering)	20	Non-hazardous waste production
7	Water use	21	Selection and monitoring of suppliers
8	Hazardous waste production	22	Anti-corruption policies and whistleblowing procedures
9	Customer satisfaction	23	Environmental friendliness of procured products and services
10	Measures to protect the environment and natural resources	24	Use of materials (e.g. paper, packaging, raw materials)
11	Greenhouse gas (GHG) emissions	25	Promotion of local employment
12	Air pollutant emissions	26	Community support (e.g. donation, volunteering)
13	Employee diversity and equal opportunity	27	Observing and protecting intellectual property rights
14	Employee development and training promotion	28	Marketing and promotion (e.g. advertisement)

Materiality Assessment (continued)

The following diagram lists the results of the materiality assessment:



The results of the materiality assessment indicate that the Group's highly material issues include occupational health and safety, illegal labour, corruption, product health and safety, protection of environment and natural resources, hazardous waste, energy use, air pollutant emissions, water resources, and greenhouse gas emissions. Relevant risks and management priorities in relation to the above issues were identified. Relevant policies, management approaches and performance have been disclosed in the relevant sections of this Report in accordance with the disclosure requirements of the ESG Reporting Code.

Stakeholder Feedback

Investors and the public may access the Group's latest business information and related disclosures by visiting the Group's official website. We value communication with our stakeholders and encourage feedback and suggestions on environmental, social and governance issues identified as material. Stakeholders may provide relevant feedback or share views with us through the following channels:

Email: info@cndnewin.com
Website: https://www.cndnewin.com
Phone: (852) 2969 8979

Environment

The Group adheres to the concept of sustainability and strictly abides by relevant environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the People's Republic of China on Noise Pollution Prevention and Control, the Regulation on the Administration of Permitting of Pollutant Discharges and Management Measures for Environmental Emergencies, the Regulation on Groundwater Management, the Measures for the Administration of Emergency Environmental Accidents etc., so as to ensure that production and operation activities comply with regulatory requirements. The Group's manufacturing subsidiaries have obtained certification under the ISO 14001 Environmental Management System and have integrated the relevant management requirements into their daily operations, promoting the coordinated development of operational performance and environmental protection.

The Group's paper manufacturing segment mainly focuses on the production of High-quality Coated Duplex Board, Kraft Liner and Test Liner. It operates three paper production lines and is equipped with its self-owned power plant and wastewater treatment plant. During the production process, the Group continuously upgrades its wastewater treatment and air pollution control facilities to enhance its pollution control capabilities. At the same time, by optimising production processes and resource management, the Group improves the utilisation efficiency of raw materials and water resources, and promotes the recycling and comprehensive utilisation of wastes to mitigate environmental impacts. In addition, the Group has established and implemented environmental management systems and conducts ongoing monitoring and evaluation of key emission indicators to ensure that regulated pollutants are discharged in stable compliance with applicable standards.

As of the end of the Reporting Period, the Group was not aware of any non-compliance with relevant environmental protection laws and regulations. The wastewater treatment and air pollution control facilities operated steadily, and pollutant emissions complied with applicable standards. Going forward, the Group will continue to strengthen its environmental management, optimise production processes, and deepen its practices in resource conservation and circular utilisation to support sustainability.

Environment (continued)

ISO 14001 Environmental Management System Certification

Emissions

Air Pollution Control

The Group places high importance on air pollution prevention and control during the production process and has established an air pollutant control mechanism that aligns with the scale and operational characteristics of its paper manufacturing business. Through system development, facility investment and continuous monitoring, the Group strives to mitigate the impact on the surrounding environment and air quality while ensuring stable production.

Sources of Air Pollutant Emissions

The Group's air pollutant emissions mainly originate from the operation of coal-fired boilers in its self-owned power plant, with the main pollutants including sulphur dioxide, nitrogen oxides and particulate matter.

Pollution Control Technologies and Measures

To effectively control air pollution, the Group has implemented multi-layered pollution control measures in the operation of its self-owned power plant, strengthening management from combustion optimisation, end-of-pipe treatment and facility operation perspectives. The boiler system is compatible with different types of coal to improve combustion efficiency and reduce energy consumption. In addition, the Group has adopted low-nitrogen combustion technology, selective non-catalytic reduction (SNCR) denitrification equipment, bag filtering, limestone wet desulphurisation systems and wet electrostatic precipitators to achieve coordinated treatment of key pollutants. To address the risk of fine particulate matter emissions, the Group combines bag filtering with wet electrostatic precipitation to further enhance pollution control efficiency.

Furthermore, to reduce the environmental impact associated with fuel storage and transportation, the coal storage yard of the self-owned power plant is fully enclosed and equipped with appropriate safety and fire protection facilities, effectively reducing dust emissions during coal handling and storage, while lowering the risk of secondary pollution caused by surface runoff during rainfall.

Emissions (continued)

Management of Transport-related Emissions

In addition to stationary source emissions, the Group also pays attention to air pollution risks arising from transportation activities. Considering the impact of employee commuting and logistics transportation on emissions, the Group continues to promote low-carbon travel arrangements by encouraging employees to use public transportation and cooperating with local public transport operators to provide shuttle bus services for centralised commuting, thereby reducing the use of private vehicles. In addition, the Group is also assessing the feasibility of gradually introducing electric vehicles and other clean energy transportation tools to improve the environmental performance of transportation operations.

Compliance Performance and Emission Effectiveness

During the Reporting Period, the Group strictly complied with relevant environmental protection laws and pollutant discharge permit requirements and continuously monitored air pollutant emissions. The emission concentrations and total emissions of regulated air pollutants were controlled within the annual permit limits and the emission limits prescribed by local competent authorities. No environmental non-compliance incidents related to air pollution were recorded.

Going forward, the Group will continue to review the effectiveness of its air pollution control measures, optimise energy utilisation and pollution prevention solutions in line with technological advancements and policy requirements, and further mitigate its impact on the atmospheric environment while ensuring stable production.

Air Pollutants	Key Performance Indicators (KPIs)	Unit	Target Value Annual Permitted Emissions	2025	2024
Emissions[1]	SO_x	tonne	122.76	19.70	15.50
	NO_x	tonne	175.36	43.90	49.70
	PM	tonne	17.54	2.86	1.35
Intensity[2]	SO_x	tonne per 10,000 tonnes of product	/	0.38	0.32
	NO_x	tonne per 10,000 tonnes of product	/	0.86	1.01
	PM	tonne per 10,000 tonnes of product	/	0.06	0.03

1. Air pollutant emissions refer to pollutants discharged into the atmosphere through the stacks of the Group's self-owned power plant boilers used for paper manufacturing operations (data from the online monitoring system of the ecological department).

2. Intensity is calculated by dividing the total air pollutant emissions during the Reporting Period by the Group's annual output (measured in ten thousand tonnes).

Emissions (continued)

Wastewater Management

The Group incorporates water environment protection and water resource compliance management into its daily operations and has established a wastewater management system commensurate with the papermaking capacity in accordance with relevant national and local laws and regulations. Through enhanced institutional arrangements, continuous investment in facilities, and process monitoring, the Group is committed to minimising the impact of its production activities on the water environment and ensuring that all discharge activities comply with regulatory requirements.

Management Framework and Monitoring Mechanism

To strengthen wastewater treatment management, the Group has installed dedicated on-site wastewater treatment facilities and established a 24-hour automated online monitoring system to conduct real-time monitoring of key water pollutant indicators. Relevant management and operational requirements are implemented in accordance with applicable laws, regulations, and technical standards, including the Integrated Wastewater Discharge Standard, and the Discharge Standard of Wastewater from Limestone-gypsum Flue Gas Desulfurization System in Fossil Fuel Power Plants, ensuring that discharge activities comply with national and local environmental management requirements.

Sources of Wastewater and Treatment Process

The Group's wastewater primarily arises from papermaking activities and the operation of ancillary facilities, including paper and pulp manufacturing wastewater, boiler fixed discharge, circulating cooling system drainage, domestic sewage, initial rainwater runoff. The principal pollutants involved include chemical oxygen demand (COD) and ammonia nitrogen.

In response to the above wastewater, the Group has established a staged treatment system within its production processes. Wastewater is first pre-treated at the on-site wastewater treatment plant and then conveyed via dedicated pipelines to the municipal wastewater treatment system for advanced treatment. The on-site pre-treatment process includes inclined net filtration, primary sedimentation, anaerobic and aerobic treatment, and sludge-water separation in secondary sedimentation, effectively reducing pollutant loads and stabilising effluent quality.

Supporting Pollution Control and Resource Utilisation Measures

During wastewater treatment, the Group also addresses potential secondary environmental impacts arising from treatment facilities. Accordingly, the deodorisation system has been upgraded, adopting technologies such as chemical scrubbing and ion-based deodorisation to control odours generated during the treatment process and mitigate impacts on the surrounding environment.

In addition, sludge and biogas generated from wastewater treatment are managed through a combination of compliant disposal and resource recovery. Sludge is either incinerated in accordance with relevant regulations or entrusted to qualified third-party service providers for disposal. Biogas generated from anaerobic treatment is recovered and used as supplementary fuel for the Group's self-owned power plant, enhancing energy efficiency under the premise of compliance with safety and management requirements.

Emissions (continued)

Compliance Performance and Management Effectiveness

During the Reporting Period, the Group's wastewater discharges continuously complied with pollutant discharge permits and relevant regulatory requirements. Concentrations and total volumes of key pollutants were controlled within the annual permitted limits and local government standards. Emission indicators for COD and ammonia nitrogen performed well, and no environmental non-compliance incidents related to wastewater discharge occurred.

Looking ahead, the Group will continue to review the applicability and effectiveness of its wastewater management measures. By integrating process optimisation and technological advancements, it will progressively improve water use efficiency and pollutant reduction performance.

Water Pollutants	Key Performance Indicators (KPIs)	Unit	Target Value Annual Permitted Emissions	2025	2024
Emissions	COD	tonne	3,700.00	464.00	475.50
	Ammonia nitrogen	tonne	333.00	2.23	3.99
Intensity[1]	COD	tonne per 10,000 tonnes of product	/	9.06	9.70
	Ammonia nitrogen	tonne per 10,000 tonnes of product	/	0.04	0.08

1. Intensity is calculated by dividing the volume of water pollutant emissions during the Reporting Period by the Group's annual output (measured in ten thousand tonnes).

Waste Management

The Group attaches great importance to waste management and strictly complies with relevant laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Law of the People's Republic of China on Promoting Clean Production. General waste and hazardous waste are subject to classified management and compliant disposal to prevent negative environmental impacts.

On the basis of compliance management, the Group adopts "source reduction, classified management and resource recovery" as the core principles of its waste management approach. Through continuous optimisation of production processes and strengthened raw material control, the Group seeks to reduce waste generation and enhance resource utilisation efficiency.

Emissions (continued)

Management of General Waste

General (non-hazardous) waste generated during the production processes primarily includes fly ash, slag, desulphurisation gypsum, sludge and papermaking residues. In respect of the above waste, the Group has established a mechanism for classified collection and resource-oriented disposal, with specific management measures as follows:

Management Measures	Main Content
Waste reduction at source	An inclined screen system has been installed in the papermaking workshop to recover waste pulp generated during production and return it to the pulp manufacturing system, thereby effectively reducing fibre loss and sludge generation. At the same time, the Group continuously enhances waste paper recovery and sorting standards to minimise the mixing of impurities and waste plastics, reducing the generation of general waste at source.
Resource recovery and utilisation	Fly ash, slag and desulphurisation gypsum are sold to qualified construction material companies for use as construction materials or raw materials. Papermaking residues are utilised in in waste paper recycling projects. Waste plastics, waste pulp and scrap metal are delivered to relevant recycling enterprises for reuse.
Non-reusable waste disposal	Bottom ash and certain sludge that cannot be reused are entrusted to qualified and licensed third-party waste disposal service providers for incineration. In addition, subject to compliance with environmental requirements, a small portion of sludge is co-fired with coal in the Group's coal-fired boilers as supplementary fuel, thereby enhancing overall resource utilisation efficiency.
Domestic waste management	Domestic waste generated from daily operations is sorted and collected by the property management unit and transported to the municipal waste treatment centre for disposal.

Emissions (continued)

Hazardous Waste Management

Hazardous waste generated during the Group's operations primarily includes used lead-acid batteries, asbestos waste, laboratory waste liquids, waste mineral oil and oil drums, and contaminated packaging materials. To prevent environmental and safety risks, the Group implements stringent management measures for hazardous waste.

Management Measures	Main Content
Segregated storage and record management	Dedicated hazardous waste storage facilities that comply with regulatory requirements are established to ensure segregated storage of different categories of hazardous waste. A comprehensive registration and record-keeping system is maintained to ensure proper tracking and management.
Compliant transfer and disposal	All hazardous waste is entrusted to qualified and licensed third-party hazardous waste disposal service providers for compliant transfer and disposal, ensuring that the entire process adheres to national and local environmental protection requirements.

During the Reporting Period, all general waste and hazardous waste generated by the Group were segregated, collected and disposed of in compliance with applicable laws and regulations. The classified disposal rate reached 100%, and no incidents occurred that resulted in significant environmental impacts due to improper waste management or disposal.

Waste	Key Performance Indicators (KPIs)	Unit	2025	2024
Waste generated	Hazardous waste	tonne	31.79	21.32
	Non-hazardous waste	tonne	164,755.84	157,400.68
Intensity[1]	Hazardous waste	tonne per 10,000 tonnes of product	0.62	0.43
	Non-hazardous waste	tonne per 10,000 tonnes of product	3,217.84	3,209.64

1. Intensity is calculated by dividing the total amount of waste generated during the Reporting Period by the Group's annual output (measured in ten thousand tonnes).

Resource Use

Energy

The Group places high importance on energy management and has established the Energy Management System and the Energy-Saving Target Management System to ensure that energy use complies with national laws and regulations while achieving scientific management. The Group has obtained the ISO 50001 Energy Management System Certification and continuously improves its energy management processes on this basis to promote ongoing energy efficiency enhancement.

ISO 50001 Energy Management System Certification

Management Structure and Responsibility Allocation

The Group has established an Energy Management Leadership Team, led by the Vice President in charge, with the Manager of the Safety and Environmental Protection Department serving as deputy leader and heads of various departments as members, forming an energy management network covering the entire Group. Persons in charge of each production unit serve as energy management responsible personnel and implement energy-saving measures and daily energy consumption monitoring in accordance with the tiered management principle, ensuring that energy management is integrated into production process.

Resource Use (continued)

Energy Conservation Measures and Consumption Optimisation

In accordance with national regulations and annual energy consumption conditions, the Group sets annual energy-saving targets and continuously promotes energy efficiency improvement initiatives. During the Reporting Period, the main measures included upgrading production equipment for energy saving, gradually phasing out high-energy-consuming equipment, and optimising process operation workflows. In addition, the Group monitors and analyses energy consumption in key operational segments to identify energy-saving potential and drive continuous improvement, thereby maximising energy use efficiency.

Energy Saving	Target Value	Annual Progress	Energy Management Measures
Electricity Saving	Electricity consumption per tonne of paper≤480 kWh	407 kWh, achieved	• Lighting system upgrade: adopted advanced energy-efficient lighting fixtures to improve lighting system efficiency. • Equipment maintenance: strengthened operational maintenance of equipment to reduce energy losses caused by frequent start-stop operations. • High-efficiency equipment: selected low-energy-consumption equipment recommended by the National Energy Administration. • Process optimisation: increased the operating speed of the paper machine and enhance the pulp supply capacity to reduce electricity consumption per unit of paper output. • Thermal power optimisation: adjusted the operating mode of the self-owned power plant from dedicated unit operation to public grid-supported operation to reduce energy consumption and coal use. • Employee awareness: conducted regular training to enhance employees' awareness of electricity conservation.
Steam Saving	Steam consumption per tonne of paper≤2.1 tonnes	1.6 tonnes, achieved	• Process improvement: upgraded inlet pipelines and production processes to achieve a balanced electricity-steam ratio. • Pipeline insulation: enhanced insulation protection for transmission pipelines, drying cylinders and related facilities to reduce heat loss.

Resource Use (continued)

Energy Conservation Measures and Consumption Optimisation (continued)

Energy Saving	Target Value	Annual Progress	Energy Management Measures
Oil Saving	Oil consumption per tonne of paper (raw material) ≤0.2716 litres.	0.0683 litres, achieved	• Fuel system inspection: strengthened inspection and maintenance of fuel systems at the self-owned power plant. • Boiler protection: avoided slagging in boilers and prevented oil firing for slag removal. • Ignition technology: adopted small-diameter oil gun ignition to reduce fuel consumption during boiler ignition. • Vehicle fuel management: strengthened fuel consumption management and maintenance of motor vehicles and eliminated high-fuel-consumption vehicles. • Operational optimisation: standardised vehicle routing to avoid detours and redundant transport. • Usage control: prohibited vehicles from performing non-transport-related tasks to reduce unnecessary fuel consumption.
	Oil consumption per tonne of paper (product) ≤ 0.1201 litres.	0.0620 litres, achieved	

Performance Management and Incentive Mechanism

To ensure the implementation of energy conservation targets, the Group has established an annual energy-saving target responsibility assessment and evaluation mechanism to quantitatively assess the energy conservation performance of departments and employees, and provide rewards to outstanding performers. This mechanism has effectively enhanced the motivation of all employees to participate in energy management and has formed a long-term incentive structure, promoting energy management as an integral part of the Group's daily operations.

Resource Use (continued)

Training and Awareness Promotion

The Group regularly conducts energy management and energy conservation awareness activities, including employee education, thematic training and promotion of energy conservation knowledge, to foster energy-saving awareness across the workforce and support the implementation of a green operation culture.

Looking ahead, the Group will continue to optimise its energy management system, promote upgrades in energy-saving technologies and intelligent transformation, explore large-scale application of clean energy, and further improve energy utilisation efficiency.

During the Reporting Period, the Group's energy consumption is set out below:

Energy Consumption	Unit	2025	2024
Total Consumption			
Diesel	litre	311,677.00	412,559.00
Unleaded petrol	litre	6,700.00	12,209.04
Coal	tonne	205,243.98	181,876.37
Electricity (net externally purchased)	kWh	138,060,900.00	138,887,000.00
Intensity[1]			
Diesel	litre per 10,000 tonnes of product	6,087.63	8,412.41
Unleaded petrol	litre per 10,000 tonnes of product	130.86	248.95
Coal[2]	tonne per 10,000 tonnes of product	4,008.62	3,708.61
Electricity (net externally purchased)	kWh per 10,000 tonnes of product	2,696,464.35	2,832,017.48

1. Intensity is calculated by dividing total energy consumption during the Reporting Period by the Group's annual output (measured in ten thousand tonnes).

2. The increase in coal usage intensity during the Reporting Period was attributable to a decrease in the calorific value of the coal used compared with the previous year.

Water Resources

The Group is committed to the efficient utilisation of water resources. To this end, the Group has established a comprehensive water resource management system, set annual water conservation targets, and promoted water conservation and rational water use through institutional management, technological improvement and employee participation.

Resource Use (continued)

Organisational Structure and Responsibility Allocation

To ensure effective implementation of water conservation initiatives, the Group has established a water conservation leadership team and a water conservation office to clarify the responsibilities of each department and workshop in water management. The water conservation leadership team is responsible for formulating water conservation policies and annual targets, approving water conservation plans and projects, and conducting overall performance assessments. The water conservation office is responsible for daily management, including water consumption data statistics, analysis and reporting, supervision of the implementation of water conservation measures, and coordination of technical upgrades and equipment maintenance to ensure closed-loop water conservation management. Each department and workshop implements specific measures based on its water usage characteristics, optimises process workflows, improves equipment operation and maintenance, and ensures the achievement of water conservation indicators.

Technical Measures and Operational Management

The Group has adopted multiple technical and management measures to improve water use efficiency. In papermaking and pulp manufacturing processes, recycled water circulation is promoted to reduce dependence on fresh water. Water pipelines, pumping stations and water treatment equipment are upgraded and maintained to reduce leakage and wastage. Automated water meters and real-time monitoring systems are installed to dynamically monitor water consumption across departments and promptly identify issues for corrective actions. Meanwhile, employee training and awareness campaigns are conducted to enhance water conservation awareness and foster a company-wide water-saving culture.

Water Conservation Management in Fixed Asset Projects

Water conservation requirements are also integrated into the Group's fixed asset investment projects. For new construction and renovation projects with annual water consumption exceeding a specified scale, water conservation assessment is required during the feasibility study and preliminary design stages to ensure that design standards and technical requirements are met. Water use efficiency during construction and completion stages is reviewed and supervised to ensure effective implementation of water-saving measures.

Performance Assessment and Incentive Mechanism

In performance evaluation, water conservation performance is incorporated into the annual assessment system. Departments and individuals that achieve or exceed water conservation targets are rewarded, while water wastage behaviours are addressed through education and performance review. Combined with the Company's rationalisation proposal system and 6S performance assessment, an incentive and restraint mechanism is established to ensure water conservation measures are implemented across all production and operational processes.

Resource Use (continued)

Management Effectiveness and Future Planning

During the Reporting Period, the Group successfully achieved its annual water conservation target through the above institutional management and technical measures, with no incidents of water scarcity or water security issues. Looking ahead, the Group will continue to optimise its water resource management system, deepen the application of water-saving technologies and resource recycling, explore more efficient water resource management models, and support corporate sustainability and ecological protection objectives.

Water Conservation	Target Value	Annual Progress
Water conservation	Water consumption intensity of paper production lines ≤ 7.5 tonnes per tonne of paper	The water consumption per tonne of paper is 5.4 tonnes, target achieved

Water Use	Unit	2025	2024
Total Consumption			
Water[1]	Cubic metre	3,261,861.00	3,274,696.00
Intensity[2]			
Water	Cubic metre per 10,000 tonnes of product	63,707.33	66,773.68

1. Total water consumption of the Group, including water used in the paper manufacturing production lines, auxiliary facilities and supporting equipment.

2. Intensity is calculated by dividing total water consumption during the Reporting Period by the Group's annual output (measured in ten thousand tonnes).

Resource Use (continued)

Packaging Materials

The packaging materials used by the Group in the production process mainly include stretch film, kraft liner cover, paper tubes, and multi-layer plywood. To reduce the amount of packaging materials used and improve resource utilisation efficiency, we incorporate packaging material management into our sustainability strategy, committed to reducing resource waste while ensuring product quality and safety.

Packaging Material Management Strategies	Main Content
Optimised design	Improve packaging design, reduce redundant use of materials, improve structural efficiency, and control material consumption from the source without affecting product quality and safety.
Promote recycling and reuse	Implement material recycling policies, including reusing paper tubes and plastic steel straps, to reduce reliance on new materials and promote resource recycling.
Data monitoring	Establish a statistical and monitoring mechanism for the use of packaging materials, regularly assess material consumption, identify sources of resource wastage, and take targeted improvement measures to achieve the refinement and institutionalization of packaging material management.

During the Reporting Period, the packaging materials used by the Group are as follows:

Packaging Materials	Unit	Total Consumption 2025	Intensity[1]
PET steel belt	tonne	26.77	0.52
Labelling paper	roll	327.00	6.39
Stretch film (machine-use)	kilogram	62,351.00	1,217.78
Stretch film (hand-use)	kilogram	734.80	14.35
Multi-layer plywood	piece	47,943.00	936.37
Angle bead	piece	5,000.00	97.65
Octagonal plate	block	300.00	5.86
Cowhide tape (hot melt)	tray	3,766.00	73.55
Cowhide tape (rubber)	tray	15,429.00	301.34
Kraft liner cover	slice	488,795.00	9,546.64
Fumigation tray	cover	507.00	9.90
Up-and-down membrane	kilogram	5,819.38	113.66
Double-sided adhesive	roll	2,347.00	45.84
Double-sided tape	roll	100.00	1.95
Copper plate label	roll	265.00	5.18
Scotch tape	tray	16,500.00	322.26
Circle membrane	kilogram	17,571.60	343.19
Paper tube	metre	482,452.68	9,422.77
Certificate of conformity	sheet	516,500.00	10,087.75

1. Intensity is calculated by dividing the total consumption of packaging materials during the Reporting Period by the Group's annual output (measured in ten thousand tonnes).

Environment and Natural Resources

The Group is committed to minimising the negative impact of its business activities on the environment and natural resources to achieve sustainability. Based on the nature of its business and operational characteristics, the Group has identified that the primary environmental impacts arising from its production and operating activities are concentrated in raw material use, water resource management and pollutant emission control, and continues to implement management measures in these areas.

Raw Material Use

In terms of raw material management, the Group actively promotes the use of environmentally friendly recycled paper and encourages waste paper recycling to reduce dependence on virgin materials and lower the demand for natural forest resources at source. Meanwhile, the Group continuously optimises the use of packaging materials by implementing reduction measures for stretch film, kraft liner cover, adhesive tapes and other materials to minimise resource waste. In addition, the Group is gradually promoting paperless office operations by establishing a unified computer-based document processing system to reduce office paper consumption and improve resource utilisation efficiency.

Water Resources and Emissions Management

The papermaking production process involves certain levels of water consumption and wastewater generation. The Group has established a wastewater reuse system to collect and treat pulp manufacturing and papermaking wastewater, boiler discharge, domestic sewage and initial rainwater runoff. After treatment, a portion of the wastewater is reused in pulp manufacturing and other production processes, achieving water resource recycling and reducing reliance on external water resources.

At the same time, the Group has established dedicated wastewater treatment facilities to ensure treated wastewater meets discharge standards. Through continuous optimisation of treatment processes, the Group improves water resource utilisation efficiency and pollutant control performance.

Environmental Management System

The Group has established environmental management policies and fully implemented the ISO 14001 Environmental Management System to standardise environmental management processes. Third-party certification has been obtained to ensure the effective operation of the system. Under this framework, the Group conducts regular environmental performance assessments and management reviews to continuously optimise relevant measures and promote the coordinated development of environmental protection and business operations.

Social

Employment

The Group strictly complies with the Labour Law of the People's Republic of China, the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong, and relevant anti-discrimination legislation, including the Sex Discrimination Ordinance, the Race Discrimination Ordinance, the Disability Discrimination Ordinance, and the Family Status Discrimination Ordinance. Recruitment, employment and labour relationship management are conducted in accordance with the law to ensure that employment arrangements comply with applicable legal and regulatory requirements.

In the employment management process, the Group fully upholds the principle of equal employment and strictly prohibits the use of child labour. Discrimination or unfair treatment of employees based on factors such as race, age, religion or gender is avoided in recruitment, remuneration, promotion and daily management to protect the legitimate rights and interests of employees and maintain a fair and orderly employment environment.

Employment System and Remuneration Management

The Group emphasises the standardisation of human resources management through the Employee Handbook and relevant internal management policies, which clarify employee rights and obligations, codes of conduct and management requirements, forming a comprehensive employment management framework.

In terms of remuneration management, the Group has established a stable salary adjustment mechanism and sales commission policy, and has set up long-service awards and other incentive arrangements. At the same time, bonuses are awarded based on employees' performance and the Group's operating results, ensuring that remuneration is aligned with individual contributions and the Group's overall performance, thereby supporting workforce stability.

Work Arrangement and Employee Protection

While ensuring stable production and operations, the Group arranges working hours and rest schedules in accordance with applicable laws and regulations to safeguard employees' statutory rights to holidays and rest. Production departments adopt a three-shift rotation system that meets operational needs while ensuring appropriate rest arrangements for employees and maintaining orderly labour management.

In terms of employee welfare, the Group provides free dormitory accommodation for employees commuting from distant areas and arranges free shuttle bus services for employees living nearby to ensure convenient and safe commuting. The Group also provides free working meals to meet daily dining needs.

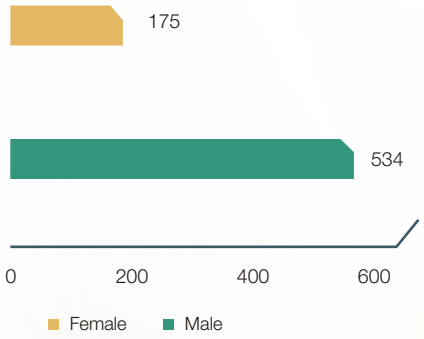
In addition, recreational and sports facilities such as basketball courts and table tennis rooms are available within the plant area, and the Group regularly organises holiday and employee activities to enhance team cohesion and create a positive working atmosphere.

Social (continued)

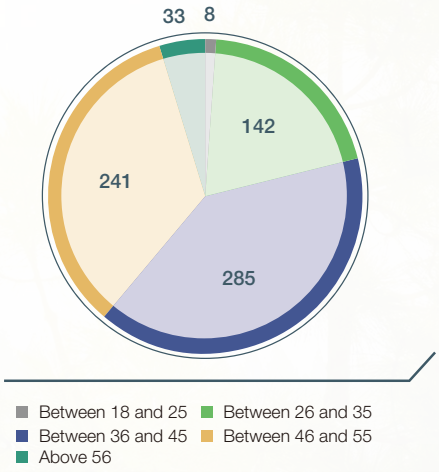
Employee Structure

As of 31 December 2025, the Group employed a total of 709 full-time employees, all located in Mainland China. The size of the workforce is aligned with the Group's business development needs and is sufficient to effectively support its daily operations and management.

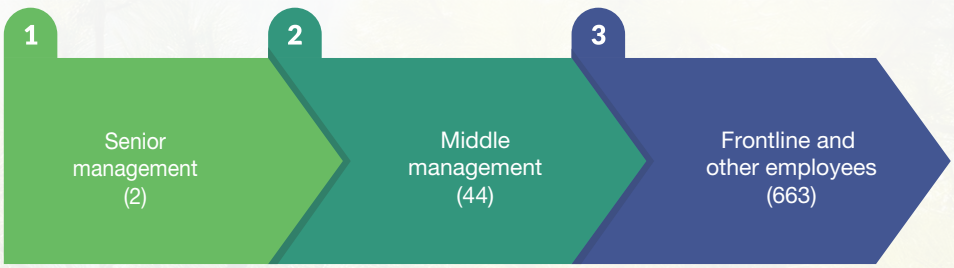
Number of employees (by gender)



Number of employees (by age group)



Number of employees (by employee level)



Social (continued)

Employee Structure (continued)

The Group respects employees' individual choices and, in accordance with applicable laws and regulations, handles the relevant formalities for departing employees to ensure that the resignation process is conducted in a standardised and orderly manner, safeguarding the rights and interests of both parties. During the Reporting Period, the Group's overall employee turnover rate was 8.2%, representing a decrease compared with the previous year, with overall workforce mobility remaining stable. Turnover rate by gender and age group are set out below:

Employee Turnover Rate	2025	2024
Total turnover rate	8.2%	15.4%
By gender of employees		
Male	6.7%	10.4%
Female	12.4%	26.6%
By age group of employees		
Aged 18-25	10.5%	15.4%
Aged 26-35	7.6%	13.1%
Aged 36-45	6.0%	5.6%
Aged 46-55	7.9%	15.9%
Aged 56 or above	31.3%	83.1%

Note: Turnover rate of each employee category = (Number of employees who left during the Reporting Period/Average number of employees in that category at the start and end of the Reporting Period)×100%.

Health and Safety

Safety Philosophy

The Group regards occupational health and safety as a fundamental prerequisite for sustainable production and business operations. By continuously strengthening safety management systems and occupational health protection mechanisms, the Group strives to minimise operational risks and enhance workplace safety performance. The Group strictly complies with applicable occupational health and safety laws and regulations, and adheres to the safety management principles of "Safety First, Prevention-Oriented and Comprehensive Risk Control", with the aim of creating a stable, reliable and safe working environment.

The Group's manufacturing subsidiaries have obtained certification under the ISO 45001 Occupational Health and Safety Management System and have established a comprehensive safety management system covering all personnel, including full-time employees, dispatched workers and interns. Safety management requirements are extended to various scenarios, including production operations, routine work and training activities, with the aim of mitigating the likelihood of safety incidents through risk prevention and effective process control.

Health and Safety (continued)

Safety Philosophy (continued)

ISO 45001 Occupational Health and Safety Management System Certification

Safety Management Structure

The Group has established a Workplace Safety Responsibility System, forming a three-tier safety responsibility framework comprising management, functional departments and operational positions. The safety management responsibilities at each level are clearly defined to ensure the effective implementation of safety responsibilities at all levels.

To coordinate safety management efforts, the Group has established a Safety Production Committee composed of members of management. The Committee is responsible for overseeing the implementation of safety management policies, reviewing safety management systems and emergency management arrangements, and proposing remediation plans for major safety risks and potential hazards. The Safety Production Committee performs overall coordination and management functions, including promoting the development of a safety standards system, reviewing safety accountability systems and emergency response plans, convening regular safety meetings, and evaluating and improving safety management performance. The Group has also established a safety performance appraisal, reward and penalty mechanism, incorporating safety management into the performance evaluation system of functional departments to enhance the effectiveness of safety management implementation.

Responsibilities of the Safety Production Committee

- Implement national and local government policies, laws, standards and regulations relating to work safety, as well as the Company's work safety systems.
- Organise the establishment of the safety management system and the safety standardisation framework.
- Review and approve work safety and safety standardisation policies, the work safety accountability system, management systems and emergency response plans.
- Convene regular Safety Production Committee meetings to study and address major work safety matters of the enterprise.

Health and Safety (continued)

Responsibilities of the Safety Production Committee (continued)

- Establish a work safety reward and penalty system and review the assessment results of work safety performance of functional departments and units.
- Review and approve accident reports and investigation reports for work safety incidents to be submitted.
- Examine and formulate remediation plans for major accident hazards and environmental pollution issues.

Safety Management Measures

Safety Management Scope	Management Process	Key Details
Occupational Health Management	Health Surveillance	Pre-employment occupational health examinations are conducted to confirm that employees have no occupational contraindications. During employment, regular health screening (typically conducted on an annual basis) is arranged for positions exposed to occupational hazards. Upon departure, comprehensive health examinations are carried out as an important basis for the transfer or termination of employment relationships.
	Hazard Prevention and Control	Regular monitoring is conducted for dust, noise and other potential hazardous factors in the working environment. Where monitoring results exceed prescribed standards, immediate corrective actions are implemented, including improving ventilation conditions or upgrading equipment. Employees in hazardous positions are provided with personal protective equipment that meets relevant standards and are instructed on its proper use.
	Occupational Disease Management	In the event of a confirmed occupational disease, work-related injury benefit claims are initiated in accordance with the law. Where necessary, work duties may be adjusted and appropriate rehabilitation support will be provided. Medical treatment and diagnostic records are maintained throughout the process and incorporated into occupational health records management.

Health and Safety (continued)

Safety Management Measures (continued)

Safety Management Scope	Management Process	Key Details
Work Safety Management	Pre-work Management	Hazard identification is conducted for each position, including risks such as mechanical injury and electric shock. Special operation permits are required for high-risk activities (such as hot work, work at height and confined space operations). Safety briefings are carried out and confirmed prior to commencement of operations.
	Operational Control	Safety operating procedures are strictly implemented. Production equipment is inspected regularly, with routine maintenance and annual overhauls carried out as required. Electricity usage management, material stacking and on-site order are standardised, and non-compliant operations are strictly prohibited.
	Equipment and Facilities Management	Special equipment is operated by certified personnel and subject to regular inspection and testing. Fire-fighting facilities are inspected and maintained periodically. Evacuation routes in office and operational areas are always kept clear.

Health and Safety (continued)

Safety Management Measures (continued)

Safety Management Scope	Management Process	Key Details
Emergency Response and Training	Safety Training	New employees receive three-tier safety induction training at company, department and position levels. In-service employees receive annual safety training, including emergency first aid and practical fire-fighting drills. Personnel engaged in special operations are required to hold valid certificates and attend annual refresher training.
	Emergency Response	Emergency response plans are established for incidents such as fire, poisoning and work-related injuries. Comprehensive emergency drills are conducted regularly. In the event of an incident, self-rescue and reporting procedures are activated promptly, followed by timely accident investigation and medical treatment for injured personnel.
Supervision and Improvement	Work-related Injury Management	Work-related injury claims are submitted in accordance with prescribed procedures, and the Group cooperates with relevant authorities to complete the recognition and follow-up assessment processes, safeguarding employees' lawful rights and interests in accordance with applicable laws.
	Hazard Inspection and Rectification	Routine safety inspections and periodic joint inspections are conducted. Rectification notices are issued for identified hazards and follow-up actions are monitored. For major hazards, necessary control measures are implemented.
	Incentives and Accountability	A safety reporting and reward mechanism is implemented. Safety inspection results are incorporated into departmental and individual performance assessments. Employees demonstrating exemplary safety performance are commended, while violations are addressed in accordance with applicable regulations and procedures.

Health and Safety (continued)

Safety Performance

Over the past three years (including the Reporting Period), the Group recorded zero work-related fatalities. During the Reporting Period, the number of lost working days due to work-related injuries was 498.

Case: "Safety Starts with Me – Collective Action" Safety Production Month Initiative

During the Reporting Period, the Group's paper making segment organised a series of activities under the theme "Strengthening Safety Foundations and Promoting Safe Development" as part of Safety Production Month. It enhanced employees' safety awareness and operational competence through company-wide safety education, hazard identification and rectification, targeted emergency drills, safety knowledge competitions and an online learning incentive mechanism.

In terms of safety education, the Group organised comprehensive safety training seminars for all employees, covering national work safety laws and regulations, industry safety standards, accident prevention and emergency response. The training combined theoretical instruction, case analysis and interactive learning to strengthen employees' ability to identify safety risks and respond effectively in practice. In addition, targeted training on safety operating procedures was provided to employees in key positions to ensure thorough understanding of equipment safety requirements and protective measures. Training effectiveness was assessed through formal evaluation mechanisms.

With respect to safety risk management and control, the Group established a dedicated task force to conduct systematic inspections across key areas, including production workshops, equipment and facilities, electrical systems, fire-fighting equipment and working environments. Potential safety risks were comprehensively identified and rectification measures formulated to ensure timely closure of identified hazards, thereby enhancing the stability and safety of production and operations.

To strengthen emergency management capabilities, the Group organised specialised emergency drills focusing on flood prevention and confined space operations. These drills simulated emergency response procedures under unexpected scenarios, improving employees' emergency response skills and cross-departmental coordination efficiency, and further refining the accident prevention and emergency management framework.

In addition, the Group introduced innovative approaches to safety training by establishing an online safety learning platform and implementing a safety knowledge competition mechanism to promote continuous learning. Through inter-departmental learning competitions and a points-based incentive scheme, employee engagement in safety learning was enhanced, fostering a strong safety culture across all levels of the organisation.

Looking ahead, the Group will continue to optimise its work safety management system by strengthening safety training, refining risk identification mechanisms and enhancing emergency management capabilities. These efforts aim to steadily improve safety management standards and provide a solid foundation for employee well-being and the Group's sustainability.

Development and Training

The Group regards talent as a key driver of long-term organisational competitiveness and supports employees' professional development through the establishment of long-term learning and capability enhancement mechanisms. Human resources management is guided by the principle of balancing business needs with employee development, fostering a virtuous cycle between employee skills enhancement and corporate growth through diversified talent development approaches.

Training Planning and System Development

In compliance with relevant laws and regulations, the Group has established a training management system and formulates its annual training plan based on corporate strategic direction, the practical needs of departments and employees' performance. The training content considers both industry development trends and operational requirements, enabling employees to update their knowledge structure in a timely manner and enhance their professional capabilities to better support the Group's business development.

For new joiners, the Group provides induction training to facilitate their understanding of corporate operations. The programme covers corporate culture, daily management requirements and relevant policies and procedures, helping new employees integrate smoothly into the working environment. For active employees, the Group regularly organises thematic training sessions on occupational safety, fire safety management and health protection. Generally, one to two learning sessions are conducted each month to strengthen practical skills and reinforce safety awareness.

Training Quality Monitoring and Knowledge Renewal Mechanism

The Group places high priority on the effectiveness of training activities. Upon completion of training programmes, assessments and feedback questionnaires are typically conducted to evaluate learning outcomes and gauge employees' understanding and practical application of the training content. The evaluation results are used to refine subsequent training plans, forming a closed-loop mechanism for the continuous optimisation of training management.

In terms of delivery methods, the Group adopts a blended model combining internal and external resources. External professionals are invited to provide technical guidance, while experienced employees are encouraged to participate in internal training and knowledge-sharing sessions to enhance the efficiency of knowledge transfer. The Group also supports employees in participating in external professional training and industry exchange activities, enabling them to access emerging technologies and management concepts and broaden their professional horizons.

Development and Training (continued)

Employee Development and Career Incentive Measures

The Group has established a continuing education sponsorship scheme to provide financial support to employees who pursue further studies, encouraging continuous learning and capability enhancement. With respect to promotion arrangements, the Group adheres to the principle of giving priority to internal candidates. When vacancies arise, qualified internal employees are considered first, thereby offering broader career development opportunities.

In cultivating and incentivising technical talent, the Group places emphasis on the professional growth and innovation capabilities of research and development personnel, and continues to strengthen the development of its technical teams. In line with the Group's technological development direction and market demand, the Technology R&D Centre regularly organises professional skills training and technical exchange activities. Training topics cover areas such as the application of new materials, process optimisation, product development and industry technology trends, supporting R&D personnel in enhancing their professional expertise and innovative capabilities.

The Group encourages R&D personnel to participate in internal and external technical training and academic exchanges, and supports technical staff in pursuing further studies and professional research activities to provide opportunities for capability enhancement. In addition, the Group has established a technology achievement incentive mechanism. R&D personnel who obtain patent grants, software copyrights or other technological innovation achievements are rewarded in accordance with relevant management policies, thereby promoting technological innovation and the commercialisation of research outcomes.

During the Reporting Period, the Group achieved 100% training coverage for all employees, with total training hours amounting to 11,344 hours. Detailed employee training data are set out below:

Training and Development Data (hours)	**2025**	**2024**
Total duration	11,344.00	10,290.00
Average training hours per employee	16.00	14.00
By gender of employees		
Male	8,544.00	7,546.00
Average training hours per male employee	16.00	14.00
Female	2,800.00	2,744.00
Average training hours per female employee	16.00	14.00
By employee level		
Senior management	32.00	42.00
Average training hours per senior management	16.00	14.00
Middle management	704.00	700.00
Average training hours per middle management	16.00	14.00
Frontline and other employees	10,608.00	9,548.00
Average training hours per frontline and other employee	16.00	14.00

Labour Compliance

The Group adheres to legal compliance as a fundamental principle in its recruitment and employment management practices and adopts institutionalised management measures to prevent risks relating to child labour and forced labour. All employment practices are conducted in accordance with applicable labour laws and regulations, including the Labour Contract Law of the People's Republic of China, the Labour Law of the People's Republic of China, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and other relevant labour regulations. Where a candidate is found not to meet statutory employment requirements during the qualification review process, the recruitment process is terminated immediately.

Employment management emphasises the principles of voluntariness and legal eligibility. Job requirements are clearly defined in advance, and candidates are assessed through multiple rounds of competency tests and interviews to confirm suitability. The Group verifies applicants' identity information, age and background details to ensure lawful eligibility for employment. All formally employed staff are required to enter into written employment contracts, clearly defining the rights and obligations of both parties and establishing a standardised foundation for employment management.

During the Reporting Period, the Group identified no incidents of non-compliance with laws and regulations relating to the prevention of child labour or forced labour, nor was it subject to any material compliance risks in this regard.

Supply Chain Management

Supplier Admission

The Group has established a standardised supplier management mechanism and regards the supply chain as an integral component supporting stable operations. Supplier selection primarily considers lawful business qualifications, production capacity, fulfilment capability and quality assurance standards, with environmental protection and social responsibility performance incorporated into long-term cooperation assessments.

Procurement management is centrally administered based on the Qualified Supplier List. During the supplier admission process, the procurement department is responsible for supplier evaluation and procurement planning; the technical and equipment departments participate in assessing quality assurance capabilities and setting technical standards; and the production department provides feedback based on material usage, forming a multi-departmental collaborative management model.

Supplied materials are categorised according to their impact on product quality and safety, including principal raw materials, chemical materials and auxiliary materials directly affecting product performance, as well as packaging materials, equipment spare parts and office supplies. New suppliers are generally required to provide qualification certificates, documentation relating to quality and environmental management systems, and relevant testing reports. Site assessments or technical verification may be conducted where necessary. Key material suppliers are also required to provide samples for technical testing and may only be incorporated into the procurement system upon successful completion of small-batch trial use.

As of the end of the Reporting Period, the Group had 383 suppliers within its paper manufacturing segment, comprising 382 suppliers in Mainland China and 1 supplier in Hong Kong. The trading segment had 15 suppliers, including 14 in Mainland China and 1 in Finland.

Supply Chain Management (continued)

Supplier Evaluation and Supervision

The Group has established a supplier performance evaluation mechanism to conduct comprehensive assessments of suppliers' product quality, delivery punctuality and service responsiveness. Product quality stability generally carries a higher weighting, while delivery performance and service capability are also included in the assessment criteria. Evaluation results are used for supplier grading and serve as an important basis for purchase order allocation and adjustments to cooperation arrangements.

Based on evaluation outcomes, outstanding suppliers may be granted priority cooperation opportunities and moderate increases in procurement volume. Suppliers with average performance maintain regular business cooperation. Suppliers with relatively low performance evaluations or those failing to complete rectification as required may have their qualification for cooperation adjusted or cancelled.

During the procurement process, the Group selects partners offering a balance of cost efficiency and stable product quality through multi-supplier quotation comparisons. In cases of supply disruption caused by force majeure or significant quality issues, exceptional procurement arrangements may be implemented subject to management approval, although the frequency of such exceptions is generally controlled.

Sustainable Supply Chain Management

The Group continues to promote sustainable supply chain management by incorporating environmental responsibility and business ethics standards into its partner management framework, with a view to establishing stable, transparent and responsible supply chain relationships.

During cooperation, the Group adheres to principles of integrity and commercial credibility, requiring suppliers to comply with fair, impartial and honest business practices. All forms of commercial bribery or improper benefit transfer are strictly prohibited, including cash rebates, business gifts or any conduct that may compromise fair transactions. Suppliers are also prohibited from engaging in unfair competition or disclosing confidential commercial information through third parties, thereby safeguarding market order and fairness in cooperation.

The Group places emphasis on conflict of interest management, requiring relevant personnel to maintain professional integrity in procurement and supplier management processes and to avoid any influence of personal financial interests or relationships on business decisions. Strict controls are implemented over the exchange of gifts and hospitality with suppliers. As a general principle, gifts or arrangements that may affect commercial judgement are not accepted, and relevant business activities must be handled in accordance with prescribed procedures.

The Group encourages suppliers and partners to establish transparent communication mechanisms to ensure open and consistent information exchange and alignment in business understanding. Compliance supervision and internal reporting channels are established within the supply chain management process. Where violations of business ethics or supply chain management requirements are identified, relevant personnel may report concerns through designated channels, and the Group will conduct investigations and take action in accordance with internal management policies and compliance procedures.

Supply Chain Management (continued)

Sustainable Supply Chain Management (continued)

In addition, the Group actively promotes the greening of its supply chain by prioritising partners that have established robust quality, environmental and occupational health and safety management systems, and by encouraging suppliers to obtain certifications such as ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. To ensure the traceability of raw material sources and the sustainable use of forest resources, the Group continues to strengthen its forest product management system and has obtained Forest Stewardship Council Chain-of-Custody (FSC-CoC) certification. The Group is capable of supplying forest products that meet sustainability requirements, helping to ensure that relevant products comply with sustainability principles throughout the procurement, processing and circulation processes.

FSC-CoC Certification

Product Responsibility

The Group is principally engaged in the manufacture of High-quality Coated Duplex Board, Kraft Liner and Test Liner. In terms of quality management, the Group continues to advance standardised and refined operations, enhancing production efficiency and quality control standards through the adoption of scientific management approaches. The Company has obtained certification under the ISO 9001 Quality Management System, establishing a quality management framework covering the entire production process to maintain product consistency and market competitiveness.

CQM
China Quality Mark
Quality Management System Certificate
Universal Pulp and Paper (Shandong) Co., Ltd.
方圆标志认证集团

ISO 9001 Quality Management System Certification

Quality Control and Product Safety Management

In accordance with applicable product quality laws and regulations, the Group has formulated and implemented the Product Monitoring and Measurement Control Procedures to carry out systematic quality control throughout the production process. Each production line is staffed with dedicated quality inspection personnel who conduct staged inspections of raw materials, semi-finished products and finished goods, with particular emphasis on safety indicators such as hazardous substance content. All test results are analysed against established technical standards, and any non-conforming products are isolated to ensure that substandard products do not enter the market.

Product Responsibility (continued)

Customer Service and Complaint Management

The Group continues to enhance its customer service and complaint management mechanism by establishing a standardised complaint handling process to improve response efficiency. In response to customer feedback, relevant departments communicate promptly and conduct necessary investigations and analyses to identify root causes, followed by appropriate quality improvement or remedial measures to drive continuous enhancement of product quality.

Complaints are handled according to their severity. General complaints are initially verified and followed up by sales and customer service personnel. In cases involving significant quality issues, cross-functional teams comprising sales, production and technical departments are formed to analyse causes, develop corrective and preventive measures, and monitor implementation on an ongoing basis to reduce the likelihood of recurrence.

The Group also regularly reviews and optimises its complaint handling procedures, strengthening quality management and information record-keeping mechanisms to promote standardised customer service and continuous improvement in quality management standards. During the Reporting Period, the Group did not record any product recalls due to health and safety concerns. A total of 15 product – or service-related complaints were received, all of which were resolved, resulting in a complaint resolution rate of 100%.

Customer Complaint Handling Process:

Product Responsibility (continued)

Information Security and Intellectual Property Protection

The Group places high priority on data security and customer information protection. Through the establishment of internal control systems and compliance management mechanisms, it strengthens privacy protection measures. Data protection requirements are incorporated into employee codes of conduct, management policies and employment contract terms. All employees are required to observe confidentiality obligations and properly safeguard corporate and customer confidential information.

At the operational level, the Group implements access control measures, segmented management of sensitive data and secure physical storage to enhance information protection and reduce the risk of data leakage.

The Group also places strong emphasis on intellectual property management and has established control procedures for product design and technological development to ensure that research and development outcomes comply with applicable laws, regulations and commercial confidentiality requirements. Product technologies, raw material innovations and process improvements are subject to intellectual property protection policies and contractual safeguards. During the Reporting Period, the Group did not experience any material intellectual property infringement incidents.

Anti-corruption

Anti-corruption and Integrity Governance Mechanism

The Group attaches great importance to fostering a culture of integrity and compliance, regarding honest operations as a cornerstone of corporate governance. Through the enhancement of internal management systems and codes of conduct, the Group is committed to establishing a transparent, fair and compliant operating environment, continuously strengthening its capability to prevent and control corruption and fraud risks. All business operations strictly comply with applicable laws and regulations, and employee awareness of legal compliance is reinforced through institutional development and compliance training.

From a governance perspective, the Group clearly defines integrity management responsibilities across different levels and functional departments, reducing potential risk blind spots in operations through clear segregation of duties. Supervisory mechanisms cover business processes, transaction activities and internal operations, aiming to mitigate the risk of misconduct at the institutional level.

Anti-corruption (continued)

Anti-corruption Risk Prevention and Implementation Measures

The Group implements anti-corruption oversight through a multi-dimensional management approach, primarily encompassing policy management, internal supervision and education and training.

At the institutional level, the Group has established and continuously refined its anti-corruption policies, regularly reviewing their applicability and updating them where necessary to ensure alignment with corporate governance requirements. Potential risk areas are identified through a combination of internal audits and targeted supervisory reviews, supported by graded management and rapid response mechanisms.

In terms of employee education, the Group provides regular anti-corruption compliance training to directors, management and general staff. Training covers relevant legal and regulatory requirements, internal management policies and codes of integrity conduct. During the Reporting Period, anti-corruption training achieved 100% coverage, effectively enhancing risk awareness across the workforce.

With regard to external cooperation, the Group strengthens integrity requirements within its supply chain governance and promotes ethical management in commercial partnerships. Integrity cooperation agreements are typically signed with business partners, clearly prohibiting any form of improper benefit transfer and requiring adherence to fair trading principles. Integrity management capability is also considered in supplier selection and evaluation processes, encouraging the establishment of standardised codes of business conduct and supporting the development of a responsible and trustworthy supply chain.

The Group further encourages employees to report concerns through secure and confidential channels. Reported information is subject to strict protection and timely handling to ensure the effective operation of the compliance oversight system.

During the Reporting Period, the Group did not identify any complaints, investigations or legal proceedings relating to corruption.

Community Investment

The Group actively fulfils its social responsibilities and regards charitable and community services as important avenues for creating social value, demonstrating corporate commitment through practical actions.

In supporting local communities, the Group remains attentive to the well-being of residents. During the Reporting Period, it invested nearly RMB2 million in environmental, labour and health-related initiatives to promote sustainable community development. In addition, the Group has, for several consecutive years, provided heating services covering a total area of 140,000 square metres to the Yizhiyuan Community and Panlong Community, effectively addressing winter heating needs and improving residents' quality of life.

These efforts have received wide recognition. The Group has been awarded numerous honours, including titles such as Green Factory in Shandong Province, Advanced Enterprise of Safe Production in Shandong Province, Advanced Enterprise of Energy Conservation in Shandong Province, Advanced Collective of Water Diversion from South to North in Shandong Province, Qualified Enterprise of Clean Production, and Charity and Love Enterprise of Zaozhuang City.

Community Investment (continued)

Principal Honors

The Group has actively engaged in social responsibility initiatives and public welfare undertakings and has been recognised by provincial, municipal and district governments on multiple occasions as follows:

- National "High-tech Enterprise"
- Green Factory in Shandong Province
- Specialized and Innovative Small and Medium-sized Enterprise in Shandong Province
- Advanced Enterprise of Energy Conservation in Shandong Province
- Advanced Enterprise of Safe Production in Shandong Province
- Advanced Collective of Water Diversion from South to North in Shandong Province
- Qualified Enterprise of Clean Production
- Charity and Love Enterprise of Zaozhuang City

Climate-related Disclosures

Governance

Oversight Responsibilities of the Board and Governance Bodies

The Group has established a governance framework for climate-related risks and opportunities covering both the Board and management. The Board bears ultimate responsibility for overseeing climate-related issues and reviews the potential impacts of climate change on business operations, development strategy and the Group's medium – to long-term financial position, ensuring that climate considerations are appropriately integrated into overall strategic planning and sustainability management.

Through regular meetings, the Board monitors the identification, assessment and management of climate-related risks and opportunities. Where necessary, the Board provides strategic guidance to management to ensure that relevant policies, systems and actions remain aligned with operational realities.

(i) Skills and Competencies

Members of the Board possess diverse professional backgrounds and industry experience and continuously enhance their understanding of climate-related issues. During the Reporting Period, the Group organised ESG-related training sessions for Directors, delivered online by external experts. The training covered updates to the ESG regulatory framework of The Stock Exchange and provided a systematic overview of climate change topics, including the potential impacts of climate-related risks and opportunities on the Group's operations and financial performance in both the short and long term. The sessions also addressed the relationship between green finance and climate-related issues, as well as the development of China's green finance market. These initiatives support Directors in strengthening their understanding of climate-related issues and enhancing their oversight capability and professional judgement.

Climate-related Disclosures (continued)

Governance (continued)

Oversight Responsibilities of the Board and Governance Bodies (continued)

(ii) Access to Information and Frequency

The Board and its authorised governance bodies obtain the latest information on climate-related risks and opportunities through regular meetings and dedicated briefings. Such information includes regulatory and policy developments, industry trends and the progress of the Group's related initiatives.

During the Reporting Period, the Group convened four climate-related meetings, including two meetings specifically addressing climate-related risks and opportunities. The Board discussed and reviewed relevant issues during these meetings in support of its oversight responsibilities.

Indicators	2025	2024
Number of climate-related meetings held	4	3

Role of Management in the Governance Process

(i) Management Responsibilities and Oversight

Under the overall supervision of the Board, management is responsible for implementing climate-related policies and operational arrangements. To effectively manage greenhouse gas emissions, the Group has established a greenhouse gas emission accounting management system and formed a Greenhouse Gas Emission Reduction Leadership Team responsible for decision-making on emission management and reduction initiatives.

The Group has also established a GHG emissions accounting and verification task force and designated personnel responsible for the accounting, consolidation and reporting of GHG emissions. Management regularly reports progress on relevant work to the Board in accordance with established governance mechanisms and remains subject to Board review and strategic guidance.

(ii) Monitoring Measures and Internal Division of Responsibilities

The Group implements a four-tier management system for greenhouse gas emissions, covering the Company, department, workshop and team levels, with clearly defined responsibilities at each level. Relevant departments perform their respective functions in emission data recording and management, measurement equipment maintenance, emission source management, internal audit and training activities, ensuring the authenticity, completeness and traceability of greenhouse gas emission data.

Management monitors the implementation of greenhouse gas emission management through data collection and analysis, internal verification and periodic assessment. Relevant arrangements are integrated into the Group's overall risk management system and daily operational management to support effective management of climate-related risks and opportunities.

Strategy

Climate-related Risks and Opportunities

The Group recognises that climate change may affect the long-term development of its business. Based on operational characteristics and regional climatic conditions at locations of assets, the Group systematically identifies and assesses climate-related risks and opportunities. During the identification process, the Group utilises multiple external analytical tools and data sources, including the Climate Analytics Climate Impact Explorer and the Aqueduct Water Risk Atlas, and incorporates historical climate event data to support the assessment of potential physical risks such as extreme weather events and water resource stress.

At the same time, the Group continuously monitors climate-related policies, regulations and market developments by tracking policy and regulatory changes and conducting internal compliance assessments to analyse national and local requirements relating to carbon emission reduction, energy efficiency and industry-specific policies. The Group also analyses carbon market policies and historical carbon price trends to identify potential transition risks. Furthermore, the Group refers to industry market research, technological development pathways and case studies, as well as market and customer demand trends, to assess potential transition opportunities for the business under the promotion of plastic reduction policies and the development of the circular economy.

Category	Indicator	Risk and Opportunity Description	Time Horizon of Impact
Physical Risks	Typhoon and flooding	Risks arising from increased frequency or intensity of extreme rainfall and strong wind events due to climate change, which may trigger flooding, waterlogging or wind-related disasters and potentially affect fixed assets, infrastructure, logistics and transportation, and production activities.	Short term, medium term, long term
	Extreme high temperature	Climate-related events where temperatures are significantly higher than historical averages over a period of time, which may affect energy demand, equipment operating conditions and working environments, representing acute or chronic climate-related physical risks.	Short term, medium term, long term
	Extreme low temperature	Abnormally low temperatures or cold wave events occurring in the short or intermittent term, which may adversely affect production facilities, energy systems and logistics operations.	Medium term, long term
	Water stress and drought	Unstable or insufficient water supply caused by changes in precipitation patterns, rising temperatures or increasing water demand, representing chronic climate-related physical risks for water-dependent production operations.	Short term, medium term, long term

Strategy (continued)

Climate-related Risks and Opportunities (continued)

Category	Indicator	Risk and Opportunity Description	Time Horizon of Impact
Transition Risks	GHG emission reduction policies	Risks associated with laws, regulations and policies on GHG emission reduction and energy conservation by governments in response to climate change, which may affect operating models, compliance requirements and cost structures.	Medium term, long term
	Carbon pricing	Transition risks arising from policy instruments such as carbon emission trading systems that internalise greenhouse gas emission costs and may impact energy and operating expenses.	Medium term, long term
	Low-carbon transition investment	Transition risks associated with capital or operating expenditures required for technological upgrades, equipment transformation, energy structure optimisation and management system development to support low-carbon transition.	Medium term
Transition Opportunities	Paper replacing plastic	Transition opportunity arising from increasing demand for paper-based materials to substitute certain plastic products under plastic reduction policies and sustainability trends, creating potential for product application expansion and market growth in the paper industry.	Medium term, long term
	Growth in recycled paper demand	Transition opportunity driven by the circular economy and resource efficiency concepts, leading to increasing market demand for recycled paper products and providing opportunities for product portfolio optimisation and market expansion.	Medium term, long term

Strategy (continued)

Definition of Time Horizons

The Group defines the impact time horizons of climate-related risks and opportunities as follows:

- Short term: 1–3 years, primarily reflecting the impacts of recent extreme climate-related events, policy changes or market fluctuations on business.
- Medium term: 3–5 years, reflecting the potential impacts of climate trends, policy developments or market transition effects within several upcoming financial years or business planning periods.
- Long term: More than 5 years, reflecting the potential structural impacts of long-term climate change trends and strategic transformation on corporate strategy and sustainable business development.

The Group will adjust relevant strategies in a timely manner in response to changes in market conditions, policies and business realities to maintain business resilience and sustainable development capabilities.

Business Model and Value Chain

The identified climate-related risks and opportunities may have an impact on different segments of the Group's business model and value chain. From the perspective of physical risks, extreme high temperatures, intermittent droughts and concentrated rainfall during flood seasons may affect the continuity of paper production, energy and water resource utilisation efficiency, and logistics stability. Such impacts are not limited to the production stage but may also propagate upstream to energy and raw material suppliers and downstream to product delivery and customer demand along the value chain.

Regarding transition risks and opportunities, as GHG emission reduction policies, carbon market mechanisms and related regulatory requirements continue to improve, the paper manufacturing business may face adjustments in energy structure, cost management and investment decisions. Meanwhile, driven by plastic reduction policies, circular economy initiatives and changing market demand, the application demand for paper products and the market potential for recycled paper are expected to continue expanding, creating potential opportunities for the Group in product structure optimisation and value chain synergy. Based on the above analysis, the Group conducts qualitative assessments of the potential impacts of climate-related factors on its business model and value chain, as summarised below.

Strategy (continued)

Business Model and Value Chain (continued)

Category	Indicator	Impact on Business Model	Impact on Value Chain
Physical Risks	Typhoon and flooding	• The Group's production base is located in Zaozhuang City, Shandong Province, China, where the direct impact risk from typhoons is relatively low. Climate model data also indicate a low flood risk in the region. However, in recent years, the region has experienced several episodes of intense rainfall and concentrated precipitation during the flood season. Without appropriate mitigation measures, this may lead to temporary water accumulation within factory areas, restrictions on equipment operation or forced adjustments to production schedules, thereby exerting pressure on production continuity and capacity stability in paper manufacturing.	• Regional flooding may affect the transportation of raw materials into the factory and products out of the factory, increasing uncertainties in logistics planning and delivery timelines.

Strategy (continued)

Business Model and Value Chain (continued)

Category	Indicator	Impact on Business Model	Impact on Value Chain
	Extreme high temperature	• In recent years, Zaozhuang City in Shandong Province has experienced persistent high-temperature and low-precipitation weather. Climate model data also indicate a relatively high risk of extreme high temperatures in Shandong Province during summer. During high-temperature periods, electricity demand for paper production increases and equipment operating loads become heavier, which may affect energy costs, equipment efficiency and production stability.	• High-temperature weather may indirectly affect the stability of upstream energy supply and energy prices.
	Extreme low temperature	• Winters in Zaozhuang City are characterised mainly by intermittent low-temperature conditions. No publicly available data indicate significant catastrophic extreme cold events in recent years, but low-temperature weather may still affect water supply systems, steam supply systems and the operation of certain outdoor equipment.	• Low-temperature weather may cause certain disruptions to regional logistics transportation and infrastructure operations.

Strategy (continued)

Business Model and Value Chain (continued)

Category	Indicator	Impact on Business Model	Impact on Value Chain
	Water stress and drought	• Zaozhuang City has experienced consecutive low rainfall periods in spring and summer in recent years, and drought conditions may overlap with high temperature events. Water risk models also indicate the presence of certain water stress in the region. As paper production is highly dependent on water resources, water intake and usage may impose constraints on production scheduling under such conditions.	• Water resource constraints may affect the stability of industrial water intake and may also influence regulatory requirements and regional water supply allocation.
Transition Risks	GHG emission reduction policies	• Under the national "dual carbon" targets and related policy frameworks, Shandong Province is a region with relatively stringent energy consumption and GHG emission control requirements, imposing clearer energy conservation and GHG reduction expectations on high-energy-consuming industries. Such policies may drive optimisation of energy efficiency, GHG emission control and production processes at the Group's production base.	• Downstream customers' compliance requirements for low-carbon products and emission performance may gradually increase.

Strategy (continued)

Business Model and Value Chain (continued)

Category	Indicator	Impact on Business Model	Impact on Value Chain
	Carbon pricing	• The Group's self-owned power plant is included within the scope of the national carbon emission trading market. Carbon quota compliance requirements may affect power generation and energy costs. Meanwhile, the paper industry is considered a quasi-included sector in carbon markets, and future expansion of carbon pricing mechanisms may further influence cost structures.	• Carbon costs may be transmitted upstream to energy suppliers and downstream to customers along the supply chain.
	Low-carbon transition investment	• To support low-carbon transition and comply with regulatory requirements, the Group may need to promote energy-saving upgrades, equipment renewal and technology applications at its production base, which may exert certain pressure on capital allocation in the future.	• This may involve coordination with equipment suppliers, technical service providers and energy suppliers.
Transition Opportunities	Paper replacing plastic	• Driven by plastic reduction policies and sustainability trends, demand for paper as a substitute for plastic materials is expected to increase, creating potential market opportunities for the paper manufacturing and paper trading.	• This supports deeper collaboration with downstream customers in sustainable material applications.

Strategy (continued)

Business Model and Value Chain (continued)

Category	Indicator	Impact on Business Model	Impact on Value Chain
	Growth in recycled paper demand	• The Group's products are mainly produced using recycled raw materials. Driven by the circular economy concept, demand for recycled paper and fibre-containing paper products continues to grow, helping enhance the Group's market competitiveness.	• This supports the development of the recycled fibre supply chain and strengthens industrial chain synergies.

Strategy and Decision-making

The Group attaches great importance to the impact of climate-related risks and opportunities on its business strategy and decision-making processes, and has integrated such considerations into its business model, resource allocation and value chain management. In response to physical risks, the Group has implemented or plans to implement corresponding adaptation and mitigation measures, including infrastructure reinforcement, disaster prevention and emergency management, and adjustments to production and operational arrangements, to safeguard business continuity and enhance value chain resilience. With respect to transition risks and opportunities, the Group has incorporated their potential impacts on resource allocation and business development into its strategic and decision-making considerations, and continues to optimise its management framework to support long-term sustainability.

Category	Indicator	Response Strategy
Physical Risks	Typhoon and flooding	• Formulate typhoon and flood emergency response plans and establish an emergency leadership team and emergency material reserves to ensure sufficient resources during extreme weather events. • Organise regular employee safety training and emergency drills to enhance disaster prevention and self-rescue capabilities. • Develop a diversified supply chain to reduce dependence on a single supplier or supply region.

Strategy (continued)

Strategy and Decision-making (continued)

Category	Indicator	Response Strategy
	Extreme high temperature	• Provide necessary heatstroke prevention supplies and implement reasonable shift arrangements to reduce employees' exposure to high temperatures. • Optimise equipment maintenance and inspection schedules to ensure normal operation of production equipment under high-temperature conditions. • Develop energy dispatch plans for the self-owned power plant and production systems to ensure stable electricity supply. • Adopt energy-efficient cooling equipment to reduce the impact of high temperatures on production and energy consumption.
	Extreme low temperature	• Provide necessary cold protection supplies and arrange reasonable work schedules for employees. • Strengthen insulation measures and conduct regular maintenance of equipment to ensure normal operation in low-temperature environments. • Ensure stable operation of steam and heating systems to reduce production disruptions caused by low temperatures.

Strategy (continued)

Strategy and Decision-making (continued)

Category	Indicator	Response Strategy
	Water stress and drought	• Conduct regular water risk assessments and optimise management strategies to ensure continuous water supply for production. • Implement water conservation management measures, with the water conservation office setting annual targets, decomposing them into departmental and team-level objectives, and conducting monthly self-assessments and annual performance evaluations. • Improve water usage monitoring and statistical systems. For fixed asset investment projects, water use rationality assessments are required to ensure water-saving requirements are implemented. • Enforce water conservation standards and water consumption quotas to manage the entire water extraction, transportation, distribution and usage process and prevent wastage. • Promote process optimisation, technological upgrades and rainwater recycling to improve water use efficiency and drought resilience. • Establish reward and penalty mechanisms and promote water conservation awareness through education and communication.
Transformation risk	GHG emission reduction policies	• Develop GHG emission reduction plans in accordance with national and provincial-level GHG reduction policies and gradually promote the use of clean energy. • Strengthen GHG emission management of the self-owned power plant to ensure compliance with national carbon emission trading regulation.

Strategy (continued)

Strategy and Decision-making (continued)

Category	Indicator	Response Strategy
	Carbon pricing	• Regularly assess carbon emission costs and carbon market price fluctuations, and reasonably optimise energy consumption and carbon quota trading strategies.
	Low-carbon transition investment	• Formulate technological upgrading and low-carbon transformation plans, allocate capital and operational resources in phases, and implement equipment retrofitting. • Integrate energy conservation management systems with energy monitoring platforms to improve energy efficiency and reduce GHG emissions.
Transformation opportunities	Paper replacing plastic	• Strengthen cooperation with raw material suppliers to ensure supply stability. • Increase investment in products and equipment with plastic substitution capabilities to expand market share.
	Growth in recycled paper demand	• Promote the R&D and production of recycled paper and products containing recycled fibres to meet market demand. • Optimise product structure and enhance revenue through market promotion.

Strategy (continued)

Financial Position, Financial Performance and Cash Flows

Given the significant uncertainty associated with climate event frequency, intensity and scale, and the complex interaction between climate-related factors and other business drivers such as market demand, raw material pricing and energy costs, reliable quantitative estimation of financial impacts remains challenging. Accordingly, the Group has applied the financial impact exemption principle under the ESG Reporting Code and has not disclosed separately quantified data at this stage. Nevertheless, the Group has conducted qualitative assessments of potential financial impacts arising from relevant risks and opportunities.

Extreme high temperature, drought and heavy rainfall and flooding

In the Zaozhuang area of Shandong Province, multiple extreme high temperature events, intermittent droughts and concentrated rainfall events have occurred over the past five years, placing additional pressure on production equipment operations and energy demand, while water resource allocation may also be constrained. Although operating costs and production loads may increase in the short term, the Group is able to keep the financial impact within a manageable range through equipment management, energy dispatch optimisation and water resource allocation. The relevant impacts are mainly reflected in financial items such as energy expenses, water costs and other production costs.

Carbon emission reduction policies and carbon pricing

As national and Shandong provincial GHG emission reduction policies continue to tighten, the Group's self-owned power plant has been incorporated into the national carbon emissions trading market, while the paper manufacturing industry is considered a "quasi-included" sector. Energy and emission-related costs may therefore rise. In the short term, increased investment in energy-saving transformation and equipment upgrades may place pressure on capital expenditure and cash flows. In the medium to long term, improvements in energy efficiency and optimisation of product structure may partially offset such costs. The financial items affected include capital expenditure, depreciation and energy costs.

Demand growth for paper-based alternatives and recycled paper

With the promotion of sustainable packaging concepts and supportive policies, market demand for paper-based alternative products and recycled paper continues to grow, contributing to higher sales revenue and increased market share. In the medium to long term, this is expected to improve gross profit margin and strengthen cash flow. The Group will continue to optimise its product portfolio and supply chain coordination to reduce operating costs and enhance the competitiveness of sustainable products. The main financial items affected are revenue and gross profit.

Strategy (continued)

Climate Resilience

The Group places high importance on the impact of climate-related risks and opportunities on business strategy, decision-making and the value chain, and has integrated such considerations into its business model, resource allocation and operational management to enhance overall climate resilience. Given the high uncertainty in the frequency, intensity and scale of climate-related events, and the interwoven nature of their impacts with factors such as raw material prices, energy costs and market demand, quantitative climate scenario analysis has not been conducted at this stage by applying the reasonable information exemption principle under the ESG Reporting Code, as quantitative results based on available historical data and cost models may not provide reliable reference value.

In terms of physical risks, the Group has implemented a range of mitigation measures to safeguard business continuity and value chain resilience. For example, with respect to typhoons and flooding, the Group has established emergency contingency plans for storm and flood prevention, set up emergency response teams and emergency material reserves, and conducts regular staff safety training and emergency drills. For extreme high temperatures, protective supplies against heat stress are provided, reasonable shift arrangements are implemented, and equipment maintenance and energy dispatch plans are optimised. For extreme low temperatures, the stability of heating and steam systems is ensured. To address water resource pressure and drought risks, water-saving management, process improvements and rainwater recycling are promoted to improve water use efficiency. These measures help reduce the impact of extreme climate-related events on production operations, energy consumption and the supply chain.

In terms of transition risks and opportunities, the Group has incorporated the impacts of GHG emission reduction policies, carbon pricing and low-carbon transition investments into its resource allocation and business development strategies. The self-owned power plant has been included in the national carbon emissions trading market, and the Group regularly assesses GHG emission costs and market price fluctuations while continuing to promote energy-saving transformation and equipment upgrades to improve energy efficiency and reduce GHG emissions. Meanwhile, the Group is actively expanding the market for paper-based alternative products and recycled paper to capture opportunities arising from the low-carbon transition and enhance revenue and gross profit margin. Based on the above measures, the Group considers that its strategy and business model demonstrate a certain level of climate resilience, enabling stable operations in the short, medium and long term.

Looking ahead, subject to feasibility, the Group will gradually adopt reasonable data and methodologies to conduct climate-related scenario analysis to further assess the impacts of physical and transition risks on business strategy and financial performance, and to guide adjustments to short–, medium – and long-term strategies.

Risk Management

Process for identification and assessment of climate-related risks and opportunities

(i) Input data and parameters

The Group integrates regional climate characteristics, policies and regulations, and actual operational conditions, and makes reference to industry best practices as well as multiple climate and water resource risk assessment tools to identify physical risks (such as extreme high temperatures, flooding and drought), transition risks (such as GHG emission policies and low-carbon technology transition), and business opportunities arising from low-carbon transformation and the circular economy. Input data covers production operations, energy consumption, supply chain and market demand information.

(ii) Climate-related scenario analysis

The Group has not yet established a comprehensive climate scenario analysis model. However, through policy change tracking, industry report review and market trend analysis, potential climate risks and opportunities are qualitatively identified and subject to preliminary quantitative assessment to evaluate their potential impacts on business operations, costs, supply chain and market expansion.

(iii) Impact assessment of risks and opportunities

The Group analyses the nature, likelihood and potential impact level of each climate-related risk and opportunity based on industry characteristics, policy direction and operational data, including impacts on production, costs, revenue and the supply chain. Opportunities arising from growing demand for low-carbon products, expansion of the recycled paper market and application of energy-saving technologies are also assessed to support strategic decision-making.

(iv) Risk and opportunity prioritisation

The Group has established a preliminary prioritisation mechanism for climate-related risks and opportunities, under which core risks and opportunities with significant impact are subject to enhanced monitoring and resource allocation. Compared with the previous Reporting Period, the prioritisation criteria have been further refined during the Reporting Period to identify high-impact risk events and areas with significant potential opportunities, thereby enabling more targeted and forward-looking management decisions.

(v) Monitoring mechanism

The Group continuously monitors changes in policies, industry trends and the operating environment, and regularly evaluates changes in climate-related risks and opportunities. Monitoring outcomes are integrated with business strategies to ensure timely adjustment of response measures. Cross-departmental collaboration and information collection mechanisms have been established to enhance overall operational resilience and low-carbon transition capability.

(vi) Process improvement

Compared with the previous Reporting Period, the Group has strengthened the monitoring frequency of climate policies, industry trends and market developments, and introduced risk assessment tools and prioritisation standards to systematically evaluate climate-related risks and opportunities, thereby improving identification accuracy and management efficiency.

Risk Management (continued)

Overall risk management integration

Climate-related risks and opportunities have been gradually integrated into the Group's overall risk management system and are subject to regular review by senior management to ensure climate factors are fully considered in business decision-making, investment planning and technological upgrading. The processes of risk and opportunity identification, assessment, prioritisation and monitoring are highly integrated with the Group's overall risk management framework, enabling systematic management of climate factors and supporting the Group's sustainability.

Metrics and Targets

Greenhouse Gas Emissions

The Group has formulated and implemented the Greenhouse Gas Emissions Accounting and Reporting Management System in accordance with relevant policy requirements, including the State Council's "Action Plan for Carbon Dioxide Peaking Before 2030" (Zhong Fa [2021] No. 23) and the "Central Committee and the State Council's Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy" (Zhong Fa [2021] No. 36), and in accordance with the requirements of the "Notice by the General Office of the Ministry of Ecology and Environment on Strengthening the Reporting and Management of Greenhouse Gas Emissions from Enterprises" (Huan Ban Qihou [2021] No. 9). The system clearly defines the accounting boundary, calculation methodology, data management and internal audit requirements for GHG emissions.

Greenhouse gas accounting boundary and emission sources

In accordance with the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Paper and Paper Product Manufacturing Enterprises, the Group defines its greenhouse gas accounting boundary. During the Reporting Period, the Group identified the following major sources of greenhouse gas emissions:

- Direct emissions from coal combustion in boilers.
- Direct carbon dioxide emissions resulting from the thermal decomposition of limestone used in flue gas desulphurisation in boilers.
- Direct emissions from fuel consumption by the Group's vehicles and equipment.
- Indirect emissions associated with net externally purchased electricity.

Metrics and Targets (continued)

Greenhouse gas accounting methodology and data management

The Group's greenhouse gas accounting is conducted in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards, adopting the operational control approach to define the emission boundary. GHG emissions are calculated based on activity data and emission factors, and are cross-verified using internal metering records, laboratory test reports and operational logs.

- **Activity data:** Includes consumption of fossil fuels such as coal and diesel, limestone consumption for desulphurisation, and net externally purchased electricity. All data are derived from the Group's internal metering system and production operation records.

- **Emission factors:** Mainly adopt recommended values published by national and industry authorities, and are periodically reviewed and updated based on actual conditions. The calorific value of fuels is determined with reference to methods such as GB/T 213 Determination of Calorific Value of Coal and the GB/T Calorific Value Determination Methods for Petroleum Products.

- **Data management:** The Group has established systems for maintaining original GHG emission records, statistical ledgers and data archives. Relevant information is retained in accordance with regulatory requirements to ensure traceability and verifiability.

- **Scope 3 emissions:** At this stage, the Group focuses on systematic accounting and disclosure of Scope 1 and Scope 2 emissions. As Scope 3 emissions involve multiple upstream and downstream supply chain processes, data collection and accounting remain to be further improved. Therefore, during the Reporting Period, the Group has not provided quantitative disclosure of Scope 3 emissions in accordance with the reasonable information exemption principle under the ESG Reporting Code. Going forward, as the data management system continues to improve, the Group will gradually assess and expand the scope of Scope 3 emissions disclosure.

Indicators	Key Performance Indicators (KPIs)	Unit	2025	2024
GHG emissions	Scope 1	tCO_2e	354,346.36	323,750.24
	Scope 2[2] (location-based)	tCO_2e	73,914.12	74,526.76
	Total	tCO_2e	**428,260.48**	**398,277.00**
Intensity[1]	Scope 1	tCO_2e/tonne	0.69	0.66
	Scope 2 (location-based)	tCO_2e/tonne	0.14	0.15
	Total	tCO_2e/tonne	**0.84[3]**	**0.81**

1. The intensity is calculated by dividing the total GHG emissions during the Reporting Period by the Group's annual output (measured in tonnes).

2. Scope 2 emissions for 2025 are calculated using the latest national average grid emission factor for electricity published by China's Ministry of Ecology and Environment, being 0.5306 $kgCO_2e$/kWh.

3. The increase in Scope 1 emissions and emission intensity was primarily due to a decrease in the net calorific value of coal, which resulted in higher coal consumption. At the same time, higher production output led to a slower rise in emission intensity than the increase in total emissions.

Metrics and Targets (continued)

Cross-industry Metrics

Given that the impacts of climate-related transition risks, physical risks and opportunities on the business are typically manifested through multiple pathways and are often intertwined with macro policies, market conditions, regional factors and day-to-day operational elements, their financial effects are, at this stage, difficult to isolate and quantify in a consistent, comparable and reliable manner. In addition, such analysis involves extensive scenario assumptions and methodological judgements, and the quantified results are subject to a degree of uncertainty.

For the reasons set out above, the Group has, in accordance with the reasonable information exemption under the ESG Reporting Code, not provided quantitative disclosure for certain cross-industry KPIs during the Reporting Period. As the identification of climate-related risks and opportunities continues to deepen, and as the data foundation and assessment methodologies are progressively enhanced, the Group will further improve the completeness and transparency of the relevant disclosures when conditions permit. Details of each metric are set out below:

Climate-related transition risks

The Group has identified potential transition risks arising from climate-related policy, market and technological changes and has incorporated these considerations into its strategic planning and operational management. Given the medium – to long-term nature of such risks, and the difficulty in clearly distinguishing their financial impacts from other business factors at this stage, no quantitative disclosure has been made during the Reporting Period regarding the amount or proportion of assets or business activities affected.

Climate-related physical risks

The Group closely monitors the potential impact of extreme weather events and climate change trends on operations and asset security, and continues to conduct risk identification and management based on actual operating conditions. As the timing, frequency and severity of such impacts remain uncertain, and verifiable quantified outcomes are unlikely to materialise in the short term, no separate quantitative disclosure has been made during the Reporting Period regarding the amount or percentage of assets or business activities exposed to climate-related physical risks.

Climate-related opportunities

The Group continues to monitor changes in market demand and business development opportunities arising from climate change and the low-carbon transition. These factors have been considered in product planning, business expansion and operational decision-making, and are reflected in actual operating performance. However, as such opportunities typically interact with overall business development, market conditions and product mix adjustments, their specific financial contributions cannot at this stage be separately identified and quantified using a consistent and comparable methodology. Accordingly, no quantitative disclosure has been made in respect of the relevant assets or business activities during the Reporting Period.

Capital allocation

In capital investments relating to equipment upgrades, energy efficiency enhancement and operational optimisation, the Group has taken into account climate-related risks and opportunities. As such expenditures are generally planned and implemented in conjunction with routine operations and other investment projects, the Group has not separately disclosed the capital expenditure, financing or investment amounts attributable to climate-related risks and opportunities at this stage.

Metrics and Targets (continued)

Internal carbon pricing

The Group has taken into consideration the potential cost implications associated with GHG emissions. The Group's self-owned power plant has been included in the carbon emissions trading market and is required to comply with carbon allowance management requirements and fulfil its carbon compliance obligations on a regular basis, which already imposes practical constraints on operations.

At present, the Group's consideration of GHG emission costs primarily references changes in external carbon market prices. Given the volatility of carbon market prices and the absence of a unified internal carbon pricing benchmark, no specific internal price per tonne of GHG emissions has been established at this stage. In the future, the Group will, having regard to developments in the carbon market and its own management needs, prudently assess the feasibility of further introducing carbon pricing tools into management processes such as investment decision-making and scenario analysis.

Remuneration

Climate-related matters have been incorporated as one of the Group's sustainability considerations and are included in the Board's overall review of long-term strategy and risk management. At present, the Group has not separately incorporated climate-related factors into its remuneration policies or performance assessment indicators. The Board will continue to assess the appropriateness of linking climate-related issues with remuneration arrangements, taking into account the Group's stage of business development and the maturity of its management systems.

Industry Metrics

In determining applicable industry metrics, the Group has taken into account its actual business circumstances and referred to the recommended disclosures set out in the industry-based Guidance on IFRS S2 Climate-related Disclosures, and has carefully assessed the applicability of the relevant metrics.

As the paper manufacturing business is resource – and energy-intensive, the efficiency of water, energy use has a significant impact on operating costs, exposure to climate-related risks and long-term competitiveness. The Group considers that indicators reflecting resource and energy consumption per unit of product can comprehensively demonstrate its management performance in day-to-day operations. Accordingly, the Group has selected representative industry metrics that are highly relevant to its paper manufacturing operations for disclosure.

Metrics and Targets (continued)

Industry Metrics (continued)

The principal industry metrics for the paper manufacturing business are set out below (covering only resource and energy consumption of paper manufacturing production lines):

Indicators	Unit	Target Value	2025	2024
Water consumption intensity	tonne per tonne of paper	≤7.5	5.4	6.1
Power consumption intensity	kWh per tonne of paper	≤480	407	409
Steam consumption intensity	tonne per tonne of paper	≤2.1	1.6	1.7
Oil consumption intensity (raw material)	litre per tonne of paper	≤0.2716	0.0683	0.1187
Oil consumption intensity (product)	litre per tonne of paper	≤0.1201	0.0620	0.0898

The above indicators are formulated based on the actual operating conditions of the Group's paper manufacturing business and reflect the Group's management requirements and control benchmarks in relation to resource utilisation and energy management. Going forward, the Group will continue to monitor developments in international disclosure standards and industry best practices, and, while ensuring comparability and data reliability, will progressively optimise the management and disclosure of the relevant indicators.

Climate-related Targets

The Group recognises the risks and opportunities arising from climate change in relation to energy structure, operating costs and compliance requirements, and continues to reduce carbon emission intensity by optimising energy management and improving energy efficiency. Given the significance of the self-owned power plant in the Group's overall energy consumption and greenhouse gas emissions, the Group has established specific climate-related management targets for the self-owned power plant as an important basis for promoting low-carbon operations and monitoring the implementation of relevant strategies.

The Group has set the following GHG emission intensity targets for the self-owned power plant to monitor energy use and carbon management performance:

- **Electricity Generation Benchmark:** ≤0.8244 tCO_2/MWh.
- **Steam Supply Benchmark:** ≤0.1033 tCO_2/GJ.

The above indicators are quantitative in nature and represent emission intensity targets, rather than targets for total or net GHG emissions.

Metrics and Targets (continued)

Basis and purpose of targets

The primary purposes of the above climate-related targets are to:

- **Mitigate climate change impacts:** by controlling GHG emissions per unit of energy output and reducing the climate impact of energy use.
- **Enhance operational efficiency:** by optimising the energy mix and operational efficiency, thereby reducing energy consumption intensity and related operating costs.
- **Comply with regulatory and industry requirements:** by ensuring that the operation of the self-owned power plant meets prevailing regulatory requirements and industry benchmarks, while maintaining management flexibility in anticipation of future policy developments.

Scope of application

The targets apply to the operation of the Group's self-owned power plant only and do not cover other business units or geographical locations.

Target period and baseline

The above targets are used as ongoing management indicators and do not have a fixed end year. The Group monitors and reviews performance on an annual basis, using historical operational data as a reference benchmark to assess target implementation and related trends.

Monitoring and review

The Group has established internal mechanisms for monitoring and reporting energy and emission data to track the implementation of the relevant targets. At this stage, the targets and progress are reviewed primarily through internal management procedures. In the future, subject to management needs and the maturity of disclosure practices, the Group will prudently assess the feasibility of introducing third-party verification to further enhance transparency and reliability.

Interim or phased targets

Given that the operation of the self-owned power plant is significantly influenced by the energy mix, technical conditions and regulatory requirements, the Group has not established separate interim or phased emission reduction targets at this stage. The Board and management will continue to monitor industry decarbonisation pathways and relevant policy developments, and will consider further refinement of target arrangements when appropriate.

Metrics and Targets (continued)

Greenhouse gases covered

The above targets cover carbon dioxide (CO_2) only and apply solely to Scope 1 (direct) emissions. Scope 2 and Scope 3 GHG emissions are not included.

Reference to international climate agreements

In setting its climate-related targets, the Group has taken into account the GHG reduction direction and low-carbon transition trends established under international climate agreements, together with domestic regulatory requirements and industry circumstances, to formulate management targets aligned with its business characteristics.

Carbon credits and carbon neutrality

The above targets are emission intensity control targets and do not constitute absolute GHG emission or carbon neutrality targets. The Group does not currently plan to use carbon credits to offset GHG emissions for the purpose of achieving these targets. Should carbon credit mechanisms be considered in the future, the Group will disclose the relevant plans, verification standards and key assumptions in accordance with applicable requirements.

Applicability of Cross-industry and Industry Metrics

In identifying and disclosing climate-related metrics, the Group has fully considered its business model, operational characteristics and industry attributes, and has referred to the ESG Reporting Code and international disclosure standards such as the industry-based Guidance on IFRS S2 Climate-related Disclosures, and has prudently assessed the applicability of cross-industry and industry metrics.

Cross-industry metrics are intended to enhance comparability among issuers and cover the impacts of climate-related risks and opportunities on financial position, operating results and cash flows, as well as management aspects such as capital allocation, internal carbon pricing and remuneration arrangements. As such impacts are often manifested through multiple pathways and intertwined with macroeconomic and operational factors, certain metrics have not yet developed consistent and verifiable quantitative disclosure methodologies at this stage. The Group has identified and managed the relevant risks and opportunities and, in accordance with the reasonable information exemption principle, has provided qualitative disclosure for the time being.

With respect to industry metrics, the Group focuses on indicators that are highly relevant to its paper manufacturing operations and that reflect common industry characteristics and key resource and energy usage. Given that paper manufacturing is a resource – and energy-intensive industry, the efficiency of water, electricity, steam and fuel use has a material impact on operating costs and climate-related risk exposure. The Group therefore considers such indicators to have high applicability and disclosure value, and has selected representative industry metrics for disclosure.

Looking ahead, the Group will continue to monitor regulatory requirements and developments in international disclosure standards. As its assessment of climate-related risks and opportunities deepens, the Group will dynamically review the applicability of cross-industry and industry metrics and progressively enhance the depth and comparability of the relevant disclosures.

Independent Auditor's Report

TO THE SHAREHOLDERS OF C&D NEWIN PAPER & PULP CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of C&D Newin Paper & Pulp Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 179, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter

1. Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of the paper manufacturing and selling segment

Refer to notes 18 and 19 to the consolidated financial statements.

At 31 December 2025, the Group has PPE of approximately HK$680,106,000 (2024: HK$667,442,000) and ROU assets of approximately HK$173,188,000 (2024: HK$171,825,000).

PPE and ROU assets with finite useful life are tested for impairment when indicators of potential impairment are identified.

The Group sustained a net loss with net operating cash outflow during the year ended 31 December 2025, which management considered to be an indicator of potential impairment that the carrying amounts of PPE and ROU assets of the Group may not be fully recovered.

Our procedures included:

- we assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;
- we understood and evaluated key internal controls over the Group's impairment assessment of PPE and ROU assets;
- we evaluated the outcome of the Group's prior year impairment assessment of PPE and ROU assets to assess the effectiveness of management's estimation process;
- assessing management's identification of cash-generating units ("CGUs"), the amounts of PPE and ROU assets allocated to each CGU and, with the assistance of our independent valuation specialists engaged, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards;
- evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

1. Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of the paper manufacturing and selling segment (continued)

For PPE and ROU assets where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable CGU to which the relevant assets were allocated based on value-in-use calculations using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment.

No impairment loss has been provided during the year.

The inherent risk in relation to the impairment assessment of PPE and ROU assets is considered significant as the impairment assessment involves significant estimates and assumptions which were subjective. Therefore, we identified the impairment assessment of PPE and ROU assets as a key audit matter.

- obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and our own views based on our experience and knowledge of the industry in which the Group operates;

- engaging our independent valuation specialists to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to inflation, the growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information relating to inflation and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; and

- considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

2. Valuation of inventories

Refer to note 21 to the consolidated financial statements.

At 31 December 2025, the Group has inventories of approximately HK$212,362,000 (net of allowance for HK$21,946,000) (31 December 2024: HK$181,119,000 (net of allowance for HK$21,879,000)).

The inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The inherent risk in relation to the assessment of the net realisable value of inventory involves significant estimates and assumptions which were subjective. Therefore, we identified the valuation of inventories as a key audit matter.

Our procedures included:

- we assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;
- we understood and evaluated key internal controls over the Group's assessment of the net realisable value of inventories;
- we evaluated the outcome of prior year assessment of the net realisable value of inventories to assess the effectiveness of management's estimation process;
- comparing the carrying value of a sample of inventory items without sales after the reporting date with the estimated selling price, with reference to market prices at the reporting date and historical gross margins achieved; and
- recalculating the provisions for inventories at the reporting date based on management's estimated selling prices of the respective inventories at the reporting date.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business 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 the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yu Kwok Keung. (Practicing certificate number: P07372)

RSM Hong Kong
Certified Public Accountants

26 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Note	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000 (re-presented)
Revenue	8	1,459,268	1,331,437
Cost of sales		(1,434,769)	(1,329,304)
Taxes and surcharges		(16,155)	(15,400)
Selling expenses		(2,365)	(2,495)
Administrative expenses		(52,680)	(60,654)
Research and development expenses		(42,002)	(41,508)
Reversal of impairment losses of financial assets, net		—	682
Other gains and income, net	9(a)	39,751	37,235
Release of undeclared claims	9(b)	—	128,186
(Loss)/profit from operations		(48,952)	48,179
Finance costs	11	(25,375)	(23,839)
(Loss)/profit before tax		(74,327)	24,340
Income tax credit	12	666	255
(Loss)/profit for the year attributable to owners of the Company	13	(73,661)	24,595
(Loss)/earnings per share	17		
Basic and diluted (HK cents)		(5.2)	1.7

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
(Loss)/profit for the year attributable to owners of the Company	(73,661)	24,595
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	8,011	(6,403)
Other comprehensive income for the year, net of tax	8,011	(6,403)
Total comprehensive income for the year attributable to owners of the Company	(65,650)	18,192

Consolidated Statement of Financial Position

As at 31 December 2025

	Note	2025 HK$'000	2024 HK$'000
Non-current assets			
Property, plant and equipment	18	680,106	667,442
Right-of-use assets	19	173,188	171,825
Other intangible assets	20	252	97
		853,546	839,364
Current assets			
Inventories	21	212,362	181,119
Accounts and other receivables and prepayments	22	70,865	30,584
Amount due from immediate holding company	26	—	2
Amounts due from fellow subsidiaries	26	157	—
Bank and cash balances	23	19,555	42,668
		302,939	254,373
Total assets		1,156,485	1,093,737
Current liabilities			
Accounts and other payables	24	195,782	208,714
Contract liabilities	25	1,473	1,898
Amounts due to fellow subsidiaries	26	6,493	30,725
Amount due to immediate holding company	26	179	179
Amount due to an intermediate holding company	26	17,349	—
Borrowings	27	446	190,818
Tax payables		—	498
		221,722	432,832
Net current assets/(liabilities)		81,217	(178,459)
Total assets less current liabilities		934,763	660,905

Consolidated Statement of Financial Position

As at 31 December 2025

	Note	2025 HK$'000	2024 HK$'000
Non-current liabilities			
Borrowings	27	785,763	446,302
Deferred tax liabilities	28	17,015	16,968
		802,778	463,270
NET ASSETS		131,985	197,635
Equity			
Share capital	29	70,730	70,730
Reserves	31	61,255	126,905
TOTAL EQUITY		131,985	197,635

Approved by the Board of Directors on 26 March 2026 and are signed on its behalf by:

Mr. HUANG Tiansheng **Mr. LIN Ruqing**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note 31(b)(iii))	Capital reserve HK$'000 (note 31(b)(i))	Exchange reserve HK$'000 (note 31(b)(ii))	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2024	70,730	104,016	161,262	108,403	(37,180)	(227,788)	179,443
Total comprehensive income for year	–	–	–	–	(6,403)	24,595	18,192
Change in equity for the year	–	–	–	–	(6,403)	24,595	18,192
At 31 December 2024	70,730	104,016	161,262	108,403	(43,583)	(203,193)	197,635
At 1 January 2025	70,730	104,016	161,262	108,403	(43,583)	(203,193)	197,635
Total comprehensive income for year	–	–	–	–	8,011	(73,661)	(65,650)
Change in equity for the year	–	–	–	–	8,011	(73,661)	(65,650)
At 31 December 2025	70,730	104,016	161,262	108,403	(35,572)	(276,854)	131,985

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(74,327)	24,340
Adjustments for:		
Depreciation of property, plant and equipment	45,939	50,996
Depreciation of right-of-use assets	7,237	7,237
Amortisation of intangible assets	33	31
Loss on written-off of property, plant and equipment	503	3,194
Gain on disposal of property, plant and equipment	—	(58)
Reversal of impairment losses of financial assets, net	—	(682)
Reversal of impairment losses on inventories	(1,026)	(1,797)
Release of undeclared claims	—	(128,186)
Finance costs	25,375	23,839
Interest income	(232)	(204)
Operating profit/(loss) before working capital changes	3,502	(21,290)
(Increase)/decrease in inventories	(30,217)	12,787
(Increase)/decrease in accounts and other receivables	(37,751)	5,945
Decrease/(increase) in amount due from intermediate holding company	2	(2)
Decrease in accounts and other payables	(23,173)	(17,037)
Decrease in contract liabilities	(425)	(231)
Decrease in amounts due to fellow subsidiaries	(24,389)	(19,364)
Increase in amount due to an intermediate holding company	17,349	—
Cash used in operating activities	(95,102)	(39,192)
Income tax paid	(631)	—
Net cash used in operating activities	(95,733)	(39,192)

For the year ended 31 December 2025

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25,504)	(13,935)
Proceed from the disposal of property, plant and equipment	—	466
Purchase of other intangible assets	(178)	—
Interest received	232	204
Net cash used in investing activities	(25,450)	(13,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to a fellow subsidiary	—	(2,813)
Other borrowings raised	276,988	542,483
Bank borrowings raised	32,523	53,837
Repayment of other borrowings	(87,812)	(504,585)
Repayment of bank borrowings	(108,409)	—
Interest paid	(25,375)	(23,839)
Decrease in amount due to an intermediate holding company	—	(96)
Net cash generated from financing activities	87,915	64,987
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(33,268)	12,530
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,668	27,412
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	10,155	2,726
CASH AND CASH EQUIVALENTS AT END OF YEAR	19,555	42,668
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	19,555	42,668

1. General Information

The Company was incorporated in Bermuda with limited liability. The address of its registered office is 5th Floor, Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Room 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

In the opinion of the directors of the Company (the "Directors"), 廈門建發股份有限公司 (Xiamen C&D Inc.*), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate parent of the Company.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRS Accounting Standards comprises Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Comparative Figures

Certain comparative expenses figures presented in the condensed consolidated statement of profit or loss have been re-presented to conform to the current year's presentation. The new classification is considered to provide a more appropriate presentation of the expenses of the Group by functions and is also in line with the classification of the parent company of the Group which is listed on the Shanghai Stock Exchange.

3. Adoption of New and Revised HKFRS Accounting Standards

(a) Application of new and revised HKFRS Accounting Standards

The Group has adopted all of the new or amended HKFRS Accounting Standards and Interpretations issued by the HKICPA that are mandatory for the current reporting period. There was no material impact to the consolidated financial statements as a result of the adoption of these standards.

(b) Revised HKFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2025 and which have not been early adopted by the Group for the annual reporting period ended 31 December 2025. The company's assessment of the impact of these new or amended HKFRS Accounting Standards and Interpretations, most relevant to the company, are set out below:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendment to HKFRS 9 and HKFRS 7 — Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendment to HKAS 21 — Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

3. Adoption of New and Revised HKFRS Accounting Standards (continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective (continued)

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 will replace HKAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements.

The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.

- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is currently assessing the impact of HKFRS 18, with respect to the structure of the Group's statement of loss, the statements of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements. Preliminary assessments indicate the following key impacts:

- The Group will need to reclassify certain income and expense items (e.g., interest income on certain investments and foreign exchange gains/losses) into the new categories, namely investing and financing categories.

- The Group disclosed certain MPMs (e.g., adjusted net loss) in its results announcements and the annual report. Under HKFRS 18, this will likely require additional disclosure for the MPMs within the notes to the financial statements.

- The Statement of Cash Flows will also be impacted, as the operating profit subtotal will be the required starting point for the indirect method.

4. Material Accounting Policy Information

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain property, plant and equipment and right-of-use assets that are measured at relevant amount).

The preparation of the financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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 has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any.

4. Material Accounting Policy Information (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

The functional currency of subsidiaries established in the PRC is Renminbi ("RMB"). The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. Material Accounting Policy Information (continued)

(c) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed on a regular basis with an interval of not more than 3 years, such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

4. Material Accounting Policy Information (continued)

(c) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Shorter of remaining lease term of 50 years or useful life
Buildings	3.3%–5%
Furniture and fixtures	20%
Machinery and equipment	3.3%–20%
Office and computer equipment	20%–33.3%
Motor vehicles and vessels	12.5% or 20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. Material Accounting Policy Information (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses except for the right-of-use assets that meet the definition of investment property are carried at fair value.

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

4. Material Accounting Policy Information (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

Right-of-use assets relate to land and buildings of property, plant and equipment to which the Group applies the revaluation model which is set out in note 4(c), the Group may elect to apply that revaluation model to all of the right-of-use assets that relate to land and buildings of property, plant and equipment.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(e) Other intangible assets

Intangible assets acquired separately — software

Software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

4. Material Accounting Policy Information (continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

4. Material Accounting Policy Information (continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(j) Accounts and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Account receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the account receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit loss ("ECL").

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

4. Material Accounting Policy Information (continued)

(n) Accounts and other payables

Accounts and other payables 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 immaterial, in which case they are stated at cost.

(o) Equity instruments

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

(p) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customers. Delivery occurs when the products have been shipped to the specific location. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(q) Employees benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. Material Accounting Policy Information (continued)

(q) Employees benefits (continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(s) Taxation

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

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

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

4. Material Accounting Policy Information (continued)

(s) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

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

4. Material Accounting Policy Information (continued)

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Impairment of financial assets

The Group recognises a loss allowance for ECL on accounts and other receivables and cash and cash equivalents. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for account receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk for balances categorised under "Stage 2" since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group categorises these balances under "Stage 1" and measures the allowance for impairment for other receivables at an amount equal to 12-month ECL.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 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.

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

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

(i) the financial instrument has a low risk of default,

(ii) the debtor 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 considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

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 receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above 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.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty

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

(a) Deferred tax asset

As at 31 December 2025, no deferred tax asset has been recognised on the tax losses of HK$621,722,000 (2024: HK$427,059,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2025 were approximately HK$680,106,000 (2024: HK$667,442,000) and HK$173,188,000 (2024: HK$171,825,000) respectively.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(c) Impairment of accounts and bill receivable

As mentioned in note 4(u) to the consolidated financial statements, the Group uses practical expedient in estimating ECL on accounts receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2025, the carrying amount of accounts and bills receivable is HK$56,026,000 (net of allowance for impairment losses of approximately HK$8,000) (2024: HK$23,121,000 (net of allowance for impairment losses of approximately HK$7,000)).

(d) Impairment provision for inventories

Inventory impairment provision is made based on the estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories was approximately HK$21,511,000 as at 31 December 2025 (2024: HK$21,467,000).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period. Allowance for net realisable value of inventories was approximately HK$435,000 as at 31 December 2025 (2024: HK$412,000).

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily account receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Account receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 0 to 60 days from the date of billing. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has concentration of credit risk as 15% (2024: 18%) and 50% (2024: 74%) of the total account receivables was due from the Group's largest customer and the five largest customers respectively to provide disclosures of other types of significant credit risk concentration. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

The Group measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Account receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for account receivables:

	As at 31 December 2025		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	55,218	—
Up to 60 days past due	*	808	—
61–90 days past due	N/A	—	—
More than 90 days past due	100%	8	8
		56,034	8

	As at 31 December 2024		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	17,946	—
Up to 60 days past due	*	4,507	—
61–90 days past due	*	71	—
More than 90 days past due	1.2%	604	7
		23,128	7

Note 1: * Less than 0.1%

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Account receivables (continued)

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for account receivables during the year is as follows:

	2025 HK$'000	2024 HK$'000
At 1 January	7	3,109
Written-off	—	(2,382)
Reversal of allowance for account receivables	—	(682)
Exchange differences	1	(38)
At 31 December	8	7

Financial assets at amortised cost

All of the Group's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The Group's management considers these balances to be of low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include account receivables, deposits and other receivables, amounts due from fellow subsidiaries and bank and cash balances.

The carrying amount of account receivables, deposits and other receivables, amounts due from fellow subsidiaries and bank and cash balances approximated to their fair value as at the end of each reporting period. Their recoverability was assessed with reference to the credit status of the debtors, and the ECL is considered to be immaterial.

6. Financial Risk Management (continued)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Directors of the Company when the borrowing exceed certain predetermined level of authority.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 December 2025, the Group's bank loans were not subject to any financial covenants.

As at 31 December 2024, the bank loans classified as current liabilities were subject to the fulfillments of covenants. Some of these covenants related to the Group's financial covenants which were tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach these covenants, the related loans would become payable on demand.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2025					
Borrowings	457	822,317	–	–	822,774
Accounts and other payables	195,782	–	–	–	195,782
Amounts due to fellow subsidiaries	4,065	–	–	–	4,065
Amounts due to immediate holding company	179	–	–	–	179
	200,483	822,317	–	–	1,022,800
At 31 December 2024					
Borrowings (note)	190,818	466,284	–	–	657,102
Accounts and other payables	208,714	–	–	–	208,714
Amounts due to fellow subsidiaries	2,755	–	–	–	2,755
Amount due to immediate holding company	179	–	–	–	179
	402,466	466,284	–	–	868,750

Note: Bank loans with a repayment on demand clause was included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 December 2024, the aggregate undiscounted principal amounts of these bank loans amounted to HK$106,010,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$112,882,000.

6. Financial Risk Management (continued)

(d) Interest rate risk

The Group's bank and other borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates that vary with the then prevailing market condition.

(e) Categories of financial instruments as at 31 December:

	2025 HK$'000	2024 HK$'000
Financial assets:		
Financial assets at amortised cost	79,089	65,895
Financial liabilities:		
Financial liabilities at amortised cost	986,235	848,768

(f) Fair values

Except as disclosed in note 7 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

7. Fair Value Measurements (continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Reconciliation of assets measured at fair value based on level 3:

Description	Property, plant and equipment: Land and buildings HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2024	272,107	185,003	457,110
Addition	189	—	189
Depreciation	(11,200)	(7,237)	(18,437)
Written-off	(1,742)	—	(1,742)
Exchange differences	(8,693)	(5,941)	(14,634)
At 31 December 2024 and 1 January 2025	250,661	171,825	422,486
Addition	407	—	407
Depreciation	(11,544)	(7,237)	(18,781)
Exchange differences	6,457	8,600	15,057
At 31 December 2025	245,981	173,188	419,169

The total gains or losses recognised in other comprehensive income are presented in fair value change of assets measured under revaluation model in the consolidated statement of comprehensive income.

7. Fair Value Measurements (continued)

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Revaluations are performed on a regular basis with an interval of not more than 3 years, the directors are in opinion the carrying amount of the property, plant and equipment and the right-of-use assets do not differ materially from those that would be determined using fair values as at 31 December 2025.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations. Revaluations were assessed as at 31 December 2023 and performed on a regular basis with an interval of not more than 3 years.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value As at 31 December 2025 HK$'000	Fair value As at 31 December 2024 HK$'000
					Assets	
Property, plant and equipment – land and buildings	Market comparable approach	Unit price	RMB1,300–RMB2,150 per sqm	Increase	N/A*	N/A*
Right-of-use assets – land use rights	Market comparable approach	Unit price	RMB391–RMB448 per sqm	Increase	N/A*	N/A*

* No revaluations were carried out as at 31 December 2024 and 31 December 2025.

8. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	1,459,268	1,331,437
Timing of revenue recognition		
Products transferred at a point in time	1,459,268	1,331,437

9. Other Gains and Income, Net

(a) Other gains and income, net

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Interest income	232	204
Rental income	456	340
Loss on write-off of property, plant and equipment	(503)	(3,194)
Gain on disposal of property, plant and equipment	—	58
Government subsidy (note)	38,393	39,466
Others	1,173	361
	39,751	37,235

Note:

It mainly represents the VAT tax and related other tax refunded from the tax authority in the PRC of approximately HK$32,611,000 (equivalent to approximately RMB30,081,000) (2024: approximately HK$27,324,000 (equivalent to approximately RMB25,234,000)), as the Group manufactures the products by using recycled materials which entitled 50% reduction of VAT tax and related other tax; it also includes a special deduction for VAT of approximately HK$5,782,000 (equivalent to RMB5,334,000) (2024: approximately HK$12,142,000 (equivalent to RMB11,214,000)), Universal Pulp & Paper (Shandong) Co. Ltd.* (遠通紙業(山東)有限公司) ("UPPSD"), an indirect wholly-owned subsidiary of the Company, being an advanced manufacturing enterprise, is eligible to reduce its VAT payable amount by an additional 5% of the deductible input VAT for the year ended 31 December 2025.

(b) Release of undeclared claims

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Release of undeclared claims (note)	—	128,186

Note:

It represents a gain arising from the release of undeclared creditor claims. These claims pertained to payable balances of a subsidiary prior to its liquidation administrative process. In accordance with the relevant provisions of the liquidation law in the PRC, and supported by an independent legal opinion, creditor claims not formally declared within three years of the conclusion of the liquidation administrative process are deemed released. Consequently, the related payables were derecognised for the year ended 31 December 2024.

10. Segment Information

The chief operating decision maker has been identified as the directors of the Company. The directors review the Group's internal reporting for the purposes of resource allocation and assessment of segment performance which focused on business nature and geographical perspectives. The Group has identified two reportable segments as follows:

Paper manufacturing and selling	–	manufacturing and sale of paper and pulp-related products
Trading	–	trading of paper and pulp and any ancillary or related raw materials

For the purposes of assessing segment performance and allocating resources between segments, the Group's directors monitor the results and assets attributable to each reportable segment on the following bases:

Reportable segment (loss)/profit represents (loss)/profit before tax by excluding head office and corporate expenses.

Segment assets include all current and non-current assets with the exception of head office and corporate assets.

Information regarding the Group's reportable segments as provided to the directors of the Company, for the purposes of resource allocation and assessment of segment performance for the year is set out below:

Segment result

	Year ended 31 December 2025		
	Paper manufacturing and selling HK$'000	Trading HK$'000	Consolidated HK$'000
Revenue	1,330,506	128,762	1,459,268
Reportable segment (loss)/profit	(71,060)	76	(70,984)
Head office and corporate expenses			(3,343)
Loss before tax			(74,327)
Interest income			232
Finance costs	24,811	564	25,375
Depreciation	53,176	–	53,176
Other material items of income and expenses			
Cost of inventories sold	1,282,885	127,893	1,410,778
Staff cost	74,159	108	74,267

10. Segment Information (continued)

Segment assets

	As at 31 December 2025		
	Paper manufacturing and selling HK$'000	Trading HK$'000	Consolidated HK$'000
Reportable segment assets	1,097,538	57,007	1,154,545
Head office and corporate assets			1,940
Consolidated total assets			1,156,485

Geographical information:

No geographical information is presented as most of the Group's business is carried out in the PRC and the Group's revenue from external customers is generated and non-current assets are located in the PRC during the year.

Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Customer A	346,217	N/A[1]
Customer B	N/A[1]	172,220
Customer C	N/A[1]	151,875

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group.

11. Finance Costs

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Interest on bank borrowings	2,329	4,474
Interest on other borrowings	23,046	19,365
	25,375	23,839

12. Income Tax Credit

Income tax has been recognised in profit or loss as following:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Current tax		
Hong Kong profits tax	26	481
PRC Enterprise Income Tax	107	—
Over provision of the PRC Enterprise Income Tax in prior years	—	(5)
	133	476
Deferred tax (note 28)	(799)	(731)
	(666)	(255)

Under the two-tiered Profits Tax rate regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5%.

The Company's PRC subsidiaries are subject to the PRC Enterprise Income Tax at rate of 25% except as follows. UPPSD was entitled to the preferential tax rate of 15% with an effective period of three years starting from 2023 to 2026, being accredited as a High and New Technology Enterprise ("HNTE") according to the PRC Corporate Income Tax Law and its relevant regulations on 29 November 2023. The Directors are in opinion that UPPSD continuously fulfilled the requirements of HNTE according to relevant rules and regulations, and therefore the tax rate used to recognise deferred tax assets and liabilities as at 31 December 2025 was 15% (2024: 15%).

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. Income Tax Credit (continued)

The reconciliation between the income tax credit and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
(Loss)/profit before tax	(74,327)	24,340
Tax at the Hong Kong Profits Tax rate of 16.5% (2024: 16.5%)	(12,265)	4,016
Tax effect of income that is not taxable	(10,264)	(7,277)
Tax effect of expenses that are not deductible	598	629
Tax effect of temporary differences previously not recognised	(738)	–
Tax effect of tax losses not recognised	20,867	2,853
Effect of different tax rates of subsidiaries	1,136	(306)
Tax concession	–	(165)
Over-provision in prior years	–	(5)
Income tax credit	(666)	(255)

13. (Loss)/Profit for the Year

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000 (re-presented)
Amortisation of intangible assets (included in administrative expenses)	33	31
Depreciation on property, plant and equipment	45,939	50,996
Depreciation on right-of-use assets	7,237	7,237
Gain on disposal of property, plant and equipment	—	(58)
Loss on written-off of property, plant and equipment	503	3,194
Cost of inventories sold (note)	1,410,778	1,291,196
Research and development expenditure	42,002	41,508
Auditor's remuneration		
– Audit service	780	1,030
– Non-audit service	20	20
Reversal of impairment losses on financial assets, net	—	(682)
Reversal of impairment losses on inventories	(1,026)	(1,797)

Note: Cost of inventories sold includes depreciation of approximately HK$30,556,000 (2024: HK$34,048,000) which are included in the amounts disclosed separately.

14. Employee Benefit Expenses

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Staff costs including directors' emoluments		
Salaries and allowances	62,644	62,194
Retirement benefit scheme contributions	12,078	14,767
	74,722	76,961

(a) Five highest paid individuals

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Salaries and allowances	2,277	2,658
Retirement benefit scheme contributions	75	41
	2,352	2,699

The emoluments fell within the following band:

	Number of individuals	
	Year ended 31 December 2025	Year ended 31 December 2024
Nil to HK$1,000,000	5	5
HK$1,000,001 to HK$1,500,000	—	—
	5	5

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2025 and 2024.

14. Employee Benefit Expenses (continued)

(b) Pensions — defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

During the year ended 31 December 2025 and 2024, the Group had no forfeited contributions under the PRC Retirement Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2025 and 2024 under the PRC Retirement Scheme which may be used by the Group to reduce the contribution payable in future years.

15. Benefits and Interest of Directors

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name of directors	Fees HK$'000	Salaries HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2025					
Executive Directors					
Huang Tiansheng (Chief executive officer)	–	–	–	–	–
Lin Ruqing	–	–	–	–	–
Non-executive Directors					
Choi Wai Hong, Clifford	164	–	–	–	164
Zhang Xiaohui	–	–	–	–	–
Independent Non-executive Directors					
Zhao Lin (note (iii))	46	–	–	–	46
Wong Yiu Kit, Ernest (note (vi))	110	–	–	–	110
Hong Ting (note (ii))	18	–	–	–	18
Chan Siu Mat (note (iv))	78	–	–	–	78
Chen Wenshui (note (v))	39	–	–	–	39
	455	–	–	–	455

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

Name of directors	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
	Fees HK$'000	Salaries HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2024					
Executive Directors					
Huang Tiansheng (Chief executive officer)	–	–	–	–	–
Lin Ruqing	–	–	–	–	–
Non-executive Directors					
Choi Wai Hong, Clifford	164	–	–	–	164
Zhang Xiaohui	–	–	–	–	–
Independent Non-executive Directors					
Zhao Lin (note (iii))	110	–	–	–	110
Wong Yiu Kit, Ernest (note (vi))	109	–	–	–	109
Lam John Cheung-wah (note (i))	92	–	–	–	92
Hong Ting (note (ii))	18	–	–	–	18
	493	–	–	–	493

Notes:

i) Mr. Lam John Cheung-wah resigned as an Independent Non-Executive Director on 30 October 2024.

ii) Ms. Hong Ting was appointed as an Independent Non-Executive Director on 30 October 2024 and resigned on 28 February 2025.

iii) On 31 May 2025, Mr. Zhao Lin resigned as an Independent Non-Executive Director.

iv) On 28 February 2025, Ms. Chan Siu Mat was appointed as an Independent Non-Executive Director.

v) On 31 May 2025, Mr. Chen Wenshui was appointed as an Independent Non-Executive Director.

vi) Mr. Wong Yiu Kit, Ernest passed away on January 2026 and ceased to be an Independent Non-Executive Director on 24 January 2026.

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

During the year ended 31 December 2025 and 31 December 2024, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

Neither the chief executive nor any of the directors waived any emoluments during the year ended 31 December 2025 (2024: Nil).

(b) Directors' retirement benefits

No retirement benefits was paid to the directors of the Company during the year ended 31 December 2025 (2024: HK$Nil).

(c) Directors' termination benefits

None of the directors of the Company received any termination benefits during the year ended 31 December 2025 (2024: HK$Nil).

(d) Consideration provided to receivable by third parties for making available directors' services

During the year ended 31 December 2025, the Company did not pay consideration to any third parties for making available directors' services (2024: HK$Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities

No loans, quasi-loans and other dealings was entered into by the Company or subsidiary undertaking of the Company in favour of a controlled body corporate of any director of the Company.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. Dividends

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2025 (2024: HK$Nil).

17. (Loss)/earnings per Share

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	For the year ended 31 December 2025 HK$'000	For the year ended 31 December 2024 HK$'000
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share	(73,661)	24,595

	For the year ended 31 December 2025 '000	For the year ended 31 December 2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted (loss)/earnings per share	1,414,601	1,414,601

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted (loss)/earnings per share are the same for the years ended 31 December 2025 and 2024.

18. Property, Plant and Equipment

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1 January 2024	300,390	35,092	506,990	9,187	1,570	16,602	869,831
Additions	189	3	4,236	–	243	9,264	13,935
Disposal	–	–	–	(1,358)	–	–	(1,358)
Transfer	–	–	13,571	–	–	(13,571)	–
Write-off	(2,014)	(4)	(1,979)	(354)	(5)	–	(4,356)
Exchange differences	(9,854)	(1,155)	(17,028)	(266)	(57)	(457)	(28,817)
At 31 December 2024 and 1 January 2025	288,711	33,936	505,790	7,209	1,751	11,838	849,235
Additions	407	30	1,511	1,227	109	22,220	25,504
Disposal	–	–	–	–	–	–	–
Transfer	–	–	23,944	–	–	(23,944)	–
Write-off	–	(1)	(612)	(434)	–	–	(1,047)
Exchange differences	8,728	1,729	32,194	870	102	559	44,182
At 31 December 2025	297,846	35,694	562,827	8,872	1,962	10,673	917,874
Accumulated depreciation							
At 1 January 2024	28,283	4,182	101,839	3,571	621	–	138,496
Charge for the year	11,200	1,680	36,593	1,195	328	–	50,996
Disposal	–	–	–	(950)	–	–	(950)
Write-off	(272)	(2)	(692)	(194)	(2)	–	(1,162)
Exchange differences	(1,161)	(173)	(4,106)	(119)	(28)	–	(5,587)
At 31 December 2024 and 1 January 2025	38,050	5,687	133,634	3,503	919	–	181,793
Charge for the year	11,544	1,672	31,134	1,249	340	–	45,939
Disposal	–	–	–	–	–	–	–
Write-off	–	(1)	(235)	(308)	–	–	(544)
Exchange differences	2,271	338	7,708	206	57	–	10,580
At 31 December 2025	51,865	7,696	172,241	4,650	1,316	–	237,768
Carrying amount							
At 31 December 2025	245,981	27,998	390,586	4,222	646	10,673	680,106
At 31 December 2024	250,661	28,249	372,156	3,706	832	11,838	667,442

At 31 December 2025, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK$48,994,000 (2024: HK$26,709,000).

18. Property, Plant and Equipment (continued)

The analysis of the cost or valuation at 31 December 2025 and 2024 of the above assets is as follows:

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost	–	35,694	562,827	8,872	1,962	10,673	620,028
At valuation	297,846	–	–	–	–	–	297,846
At 31 December 2025	297,846	35,694	562,827	8,872	1,962	10,673	917,874
At cost	–	33,936	505,790	7,209	1,751	11,838	560,524
At valuation	288,711	–	–	–	–	–	288,711
At 31 December 2024	288,711	33,936	505,790	7,209	1,751	11,838	849,235

The recoverable amounts of the CGUs have been determined on the basis of the higher of its fair value less costs of disposal and its value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the year. The Group estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

As at 31 December 2025, although UPPSD recorded a gross profit for the year, the profit margin remained thin due to intense market competition and the saturation of production capacity in the industry. The recovery of downstream demand was slower than anticipated, limiting the Group's ability to pass on operating costs to customers. Consequently, UPPSD remained in a net loss position. In light of the persistent operating losses and the competitive landscape, the management considered there was an impairment indicator of the non-current assets attributed to UPPSD.

The growth rate and pre-tax discount rate used by the Group to prepare the cashflow forecast of UPPSD is 1.56% (2024: 1.9%) and 8.12% (2024: 8.19%) respectively. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with residual period using the growth rate of 1.56%. This rate does not exceed the average long-term growth rate for the relevant markets. The recoverable amount of paper manufacturing and selling segment, is not less than their carrying amounts and no provision for the impairment loss has been made on the non-current assets. No impairment losses were recognised for property, plant and equipment during the year ended 31 December 2025 (2024: HK$Nil).

19. Right-of-use Assets

	Land use rights and leasehold land HK$'000
At 1 January 2024	185,003
Depreciation	(7,237)
Exchange differences	(5,941)
At 31 December 2024 and 1 January 2025	171,825
Depreciation	(7,237)
Exchange differences	8,600
At 31 December 2025	173,188

At 31 December 2025, the carrying amount of land use rights and leasehold land pledged as security for the Group's bank loans amounted to approximately HK$141,045,000 (2024: HK$52,265,000).

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Depreciation expenses on right-of-use assets	7,237	7,237
Expenses relating to short-term lease (included in administrative expenses)	133	1,070

Details of total cash outflow for leases is set out in note 33(b) to the consolidated financial statements.

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

20. Other Intangible Assets

	Computer software HK$'000
Cost	
At 1 January 2024	222
Exchange differences	(7)
At 31 December 2024 and 1 January 2025	215
Addition	178
Exchange differences	17
At 31 December 2025	410
Accumulated amortisation	
At 1 January 2024	90
Amortisation for the year	31
Exchange differences	(3)
At 31 December 2024 and 1 January 2025	118
Amortisation for the year	33
Exchange differences	7
At 31 December 2025	158
Carrying amount	
At 31 December 2025	252
At 31 December 2024	97

As at 31 December 2025, the average remaining amortisation period of the computer software are 3.8 years (2024: 2.8 years).

21. Inventories

	2025 HK$'000	2024 HK$'000
Raw materials	76,396	70,434
Finished goods	135,966	110,685
	212,362	181,119

22. Accounts and Other Receivables and Prepayments

	2025 HK$'000	2024 HK$'000
Account receivables	42,991	7,773
Bills receivable	13,043	15,355
Less: impairment losses	(8)	(7)
	56,026	23,121
Other receivables	3,154	19
Deposits	197	85
Prepayments	11,488	7,359
	14,839	7,463
	70,865	30,584

The credit terms of account receivables generally range from 0 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of accounts and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2025 HK$'000	2024 HK$'000
Current to 60 days	55,416	22,453
61 to 90 days	610	71
Over 90 days	—	597
	56,026	23,121

The carrying amounts of the Group's accounts and bills receivables are denominated in RMB.

23. Bank and Cash Balances

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2025 HK$'000	2024 HK$'000
HK$	1,560	4,177
US$	—	1
RMB	17,995	38,490
	19,555	42,668

As at 31 December 2025, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$17,995,000 (2024: HK$38,490,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. Accounts and Other Payables

	2025 HK$'000	2024 HK$'000
Account payables	171,373	122,999
Accruals and other payables	24,409	30,238
Debt restructuring (note)	—	55,477
	195,782	208,714
Analysed as:		
Current liabilities	195,782	208,714

Note: According to the UPPSD's bankruptcy reorganisation plan approved by the Shandong Court ("UPPSD Bankruptcy Reorganisation Plan"), for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments. Details of the UPPSD Bankruptcy Reorganisation Plan have been set out in the circular of the Company dated 31 December 2021. As at 31 December 2025, all the remaining debt restructuring has been repaid.

24. Accounts and Other Payables (continued)

The aging analysis of account payables, based on invoice date, is as follows:

	2025 HK$'000	2024 HK$'000
0 to 90 days	156,837	121,243
Over 90 days	14,536	1,756
	171,373	122,999

The carrying amounts of the Group's account payables are denominated in RMB.

25. Contract Liabilities

Contract liabilities are advance from customers.

	2025 HK$'000	2024 HK$'000
Balance at 1 January	1,898	2,129
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(1,061)	(1,953)
Increase in contract liabilities as a result of receipt in advance	636	1,722
Balance at 31 December	1,473	1,898

All the advances from customers are expected to be recognised as income within 1 year (2024: 1 year).

26. Amounts due from/(to) Fellow Subsidiaries/Immediate Holding Company/ Intermediate Holding Company

As at 31 December 2025, except accounts payables of approximately HK$4,065,000 (equivalent to approximately RMB3,648,000), the remaining amounts due to fellow subsidiaries represent the contract liabilities which are expected to be recognised as income within one year. The amount due from fellow subsidiaries represents the account receivables, which are resulted from sales. The amount due to an intermediate holding company of HK$17,349,000 (equivalent to approximately RMB15,610,000) represents contract liabilities expected to be recognised as income within one year. The amounts due to immediate holding company are unsecured, interest-free and have no fixed repayment terms.

26. Amounts due from/(to) Fellow Subsidiaries/Immediate Holding Company/ Intermediate Holding Company (continued)

As at 31 December 2024, except other payables of approximately HK$2,755,000 (equivalent to approximately RMB2,598,000) which are repayable in one installment in 2025, the remaining amounts due to fellow subsidiaries represent the contract liabilities which are expected to be recognised as income within one year. The amounts due to immediate holding company are unsecured, interest-free and have no fixed repayment terms.

	Other receivables HK$'000	Contract liabilities HK$'000	Accounts receivables/ (payables) HK$'000	Other payables HK$'000	Total HK$'000
As at 31 December 2025					
Amounts due from/(to) fellow subsidiaries					
Current assets	—	—	157	—	157
Current liabilities	—	(2,428)	(4,065)	—	(6,493)
Amount due to an intermediate holding company					
Current liabilities	—	(17,349)	—	—	(17,349)
Amount due to immediate holding company					
Current liabilities	—	—	—	(179)	(179)
	—	(19,777)	(3,908)	(179)	(23,864)
As at 31 December 2024					
Amounts due to fellow subsidiaries					
Current liabilities	—	(27,970)	—	(2,755)	(30,725)
Amount due from an intermediate holding company					
Current assets	2	—	—	—	2
Amount due to immediate holding company					
Current liabilities	—	—	—	(179)	(179)
	2	(27,970)	—	(2,934)	(30,902)

27. Borrowings

	2025 HK$'000	2024 HK$'000
Bank loans	33,432	106,010
Other borrowings	752,777	531,110
	786,209	637,120

(a) The analysis of the repayment schedule of borrowings is as follows:

	2025 HK$'000	2024 HK$'000
Within one year or on demand	446	190,818
More than one year, but not exceeding two years	785,763	446,302
	786,209	637,120

The carrying amounts of the Group's borrowings are denominated in RMB.

The interest rates per annum were as follows:

	2025	2024
Bank loans	3.40%	4.25%
Other borrowings	3.48%	3.72%

Bank loans of approximately HK$33,432,000 (equivalent to RMB30,000,000) are arranged at fixed interest of 3.40% per annum and expose the Group to fair value interest rate risk.

27. Borrowings (continued)

On 20 May 2022, UPPSD entered into a 3-year loan agreement with the bank for a loan facility of approximately HK$106,010,000 (equivalent to RMB100,000,000) which are secured by a charge over the Group's land and buildings (note 18 and 19) and guaranteed by Xiamen C&D Paper & Pulp. The borrowing is repayable within 12 months, which is classified as current liabilities as at 31 December 2024.

On 23 December 2025, UPPSD entered into a 3-year loan agreement with the bank for a loan facility of approximately HK$111,440,000 (equivalent to RMB100,000,000) which are secured by a charge over the Group's land and buildings (note 18 and 19). UPPSD has drawn down approximately HK$33,432,000 (equivalent to RMB30,000,000) as at 31 December 2025. The borrowing approximately HK$445,760 (equivalent to RMB400,000) is repayable within 12 months, which is classified as current liabilities as at 31 December 2025.

Under the UPPSD Bankruptcy Reorganisation Plan, a loan agreement was entered between Shandong Bairun Paper Co., Ltd.* (山東佰潤紙業有限公司) ("Shandong Bairun"), Greater Paper (Shenzhen) Paper Limited* (偉紙(深圳)紙業發展有限公司) ("Greater Paper SZ"), the immediate holding company of UPPSD and UPPSD entered into a loan agreement for the loan principal of approximately HK$274,050,000 (equivalent to RMB250,000,000) where RMB80,000,000 was for UPPSD's daily operation and RMB170,000,000 was for the first instalment payment of restructure liabilities.

On 29 September 2022, UPPSD entered into a loan agreement with Shandong Bairun for a loan facility of approximately HK$109,620,000 (equivalent to RMB100,000,000) and has drawn down approximately HK$105,235,000 (equivalent to RMB96,000,000). On 4 January 2023, UPPSD entered into another loan agreement with Shandong Bairun for a loan facility of approximately HK$54,810,000 (equivalent to RMB50,000,000) and has drawn down approximately HK$54,810,000 (equivalent to RMB50,000,000). During the year ended 31 December 2024, UPPSD has repaid all outstanding borrowing of approximately HK$417,799,600 (equivalent to RMB396,000,000) from Shandong Bairun.

During the year ended 31 December 2024, UPPSD entered into a supplement loan agreement with Xiamen C&D Paper & Pulp for an increase in loan facility from approximately HK$109,620,000 (equivalent to RMB100,000,000) to HK$583,055,000 (equivalent to RMB550,000,000) and an extension the repayment period of loan to 31 July 2026. The borrowing is arranged at fixed interest of 3.72% per annum and repayable within 18 months from drawn down date, of which approximately HK$446,302,000 (equivalent to RMB421,000,000) was classified as non-current liabilities as at 31 December 2024.

During the year ended 31 December 2025, UPPSD entered into a supplement loan agreement with Xiamen C&D Paper & Pulp for an increase in loan facility from approximately HK$583,055,000 (equivalent to RMB550,000,000) to approximately HK$791,224,000 (equivalent to RMB710,000,000) and an extension the repayment period of loan to 30 April 2027. UPPSD has drawn down approximately HK$696,500,000 (equivalent to RMB625,000,000) as at 31 December 2025. The borrowing is arranged at fixed interest of 3.48% per annum and repayable within 18 months from drawn down date, of which HK$696,500,000 (equivalent to RMB625,000,000) was classified as non-current liabilities as at 31 December 2025.

27. Borrowings (continued)

On 22 August 2025, the Group entered into a loan agreement with Xiamen C&D Paper & Pulp for a loan facility of approximately HK$557,200,000 (equivalent to RMB500,000,000) which shall be repayable on 18 months from drawdown date. The Group has drawn down approximately HK$56,277,200 (equivalent to RMB50,500,000) as at 31 December 2025. The borrowing is arranged at fixed interest of 3.48% per annum, of which HK$56,277,200 (equivalent to RMB50,500,000) was classified as non-current liabilities as at 31 December 2025.

28. Deferred Tax

The following are the deferred tax liabilities recognised by the Group.

Deferred tax liabilities

	Fair value gains HK$'000
At 1 January 2024	(18,285)
Credit to profit or loss for the year	731
Exchange difference	586
At 31 December 2024 and 1 January 2025	(16,968)
Credit to profit or loss for the year	799
Exchange difference	(846)
At 31 December 2025	(17,015)

Deferred tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2025, the Group did not recognise deferred tax assets (2024: HK$Nil) due to the unpredictability of future profit streams. Tax losses amounting to approximately HK$208,151,000, HK$221,958,000, HK$48,612,000 and HK$143,001,000 will be expired up to year 2032, 2033, 2034 and 2035 respectively (2024: HK$198,009,000, HK$211,143,000 and HK$17,907,000 will be expired up to year 2032, 2033 and 2034 respectively), while the remaining balance can be carried forward indefinitely.

29. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,000,000,000	100,000
Convertible non-voting preference shares of HK$0.10 each	143,086,013	14,309
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,143,086,013	114,309
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,414,600,832	70,730

On 27 October 2008, 143,086,013 convertible non-voting preference shares ("CP shares") of HK$0.10 each were issued at HK$0.70 each and a total consideration of HK$100,160,000 was received. The rights, privileges and restrictions of the CP shares are set out below:

Dividend

The holders of CP shares shall have the same right to dividend payment as to the holders of ordinary shares.

Conversion

Each holder of CP share shall be entitled to convert its shares into fully paid ordinary shares of HK$0.10 each in the capital of the Company on the basis of one ordinary share for every CP share. Unless previously redeemed, cancelled or converted, each holder of CP shares will be entitled to convert in respect of the whole or any part of its CP shares into fully paid ordinary shares on the basis of one ordinary share for every CP share at any time after the date of issue of the CP Shares upon the giving of a conversion notice. If the Continuing Notice is served before 31 March 2009, the relevant CP shares will not be subject to mandatory conversion.

At the end of business on 31 March 2009, unless previously redeemed, purchased and cancelled, converted or that a Continuing Notice has been served and delivered to the Company, all CP shares will be mandatorily converted into ordinary shares by the Company. The dividend entitlement attaching to any CP shares will cease to apply with effect from the date of conversion. Ordinary shares arising on conversion shall rank pari passu in all respects with ordinary shares, including the rights to receive any dividends and other distributions declared. So long as the Company remains listed in Hong Kong, those holders of the CP shares will not exercise their right to convert the CP shares into ordinary shares of the Company unless at least 25% of the Company's total issued share capital that are listed on the Hong Kong Stock Exchange will at all times be held by the public.

29. Share Capital (continued)

Voting rights

The holders of CP shares will be entitled to receive notice of every general meeting of the Company but will not be entitled (i) to vote upon any resolution unless it is a resolution for winding-up the Company or reducing its share capital in any manner or a resolution modifying, varying or abrogating any of the special rights attached to the CP shares or (ii) to attend or speak at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution upon which the holders of CP shares are entitled to vote.

Transferability

None of the CP shares will be assignable or transferable without the prior written approval of the Board of Directors of the Company. The Company will not apply for a listing of any of the CP shares on any stock exchange anywhere in the world.

Redemption

Subject to the provisions of the Companies Act, the Company shall be entitled, at any time after the fifth anniversary of the date of issue of the CP shares by resolution of the directors of the Company to redeem all or any of the CP shares. These shall be paid on each CP share redeemed a sum equal to (i) the subscription price thereof and (ii) all arrears (if any) of the Dividend thereon. As from the redemption date such dividend shall cease to apply.

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 December 2024 and 2025, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

(1) Purpose

The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.

29. Share Capital (continued)

Share option scheme (continued)

(4) Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Option Scheme.

(6) The eligible person shall pay HK$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.

(7) Exercise price

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

(8) Expiry date of the Option Scheme

The Option Scheme expired on 17 September 2025.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

29. Share Capital (continued)

Capital management (continued)

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises total borrowings. Adjusted capital comprises all components of equity (i.e. share capital, share premium, reserve and accumulated losses), plus net debt.

The Group's strategy, which was unchanged throughout the year, was to maintain the gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost. The ratio is calculated as net debt divided by total capital. The gearing ratio at 31 December 2025 and 2024 were as follows:

	2025 HK$'000	2024 HK$'000
Total debt	786,209	637,120
Less: bank and cash balances	(19,555)	(42,668)
Net debt	766,654	594,452
Total equity	131,985	197,635
Total capital	898,639	792,087
Gearing ratio	85.3%	75.0%

The externally imposed capital requirements for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2025, 30% (2024: 30%) of the shares were in public hands.

30. Statement of Financial Position and Reserve Movement of the Company

(a) Statement of financial position of the Company

	Note	2025 HK$'000	2024 HK$'000
Non-current assets			
Investment in subsidiaries	35	10,000	*
Current assets			
Accounts and other receivables		379	85
Bank balances		1,560	4,179
		1,939	4,264
Current liabilities			
Accruals		1,303	1,761
Amount due to immediate holding company		179	179
Amount due to a fellow subsidiary		10,000	1,500
Tax payables		—	498
		11,482	3,938
Net current (liabilities)/assets		(9,543)	326
NET ASSETS		457	326
Equity			
Share capital	29	70,730	70,730
Reserves	30(b)	(70,273)	(70,404)
TOTAL EQUITY		457	326

* Less than HK$1,000

Approved by the Board of Directors on 26th March 2026 and are signed on its behalf by:

Mr. HUANG Tiansheng **Mr. LIN Ruqing**

30. Statement of Financial Position and Reserve Movement of the Company (continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000 (note 31(b)(iii))	Capital reserve HK$'000 (note 31(b)(i))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2024	104,016	161,262	108,403	(447,519)	(73,838)
Total comprehensive income for the year	–	–	–	3,434	3,434
At 31 December 2024 and 1 January 2025	104,016	161,262	108,403	(444,085)	(70,404)
Total comprehensive income for the year	–	–	–	131	131
At 31 December 2025	104,016	161,262	108,403	(443,954)	(70,273)

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve of the Group includes the difference arise from share capital reduction pursuant to a group reorganisation in 2022 amounted to HK$108,403,000.

(ii) Exchange reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

31. Reserves (continued)

(b) Nature and purpose of reserves (continued)

(iii) Contributed surplus

The contributed surplus of the Group includes the difference arise from share premium cancellation pursuant to a group reorganisation in 2022 amounted to HK$161,262,000.

The contributed surplus of the Company represents the difference between the cost of the investment in a subsidiary pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

32. Operating Lease Arrangements

The Group as lessor

Operating leases relate to land and buildings owned by the Group with lease terms of 6 years (2024: 10 years). All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	2025 HK$'000	2024 HK$'000
Within year 1	469	360
In the second year	469	360
In the third year	469	360
In the fourth year	469	360
In the fifth year	469	360
After five years	312	179
	2,657	1,979

33. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of liabilities arising from financing activities

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

	Other borrowings (note 27) HK$'000	Bank loans (note 27) HK$'000	Total HK$'000
At 1 January 2024	510,829	55,117	565,946
Additions	542,483	53,837	596,320
Repayment	(523,950)	(4,474)	(528,424)
Interest expenses	19,365	4,474	23,839
Exchange differences	(17,617)	(2,944)	(20,561)
At 31 December 2024 and 1 January 2025	531,110	106,010	637,120
Additions	276,988	32,523	309,511
Repayment	(110,858)	(110,738)	(221,596)
Interest expenses	23,046	2,329	25,375
Exchange differences	32,491	3,308	35,799
At 31 December 2025	752,777	33,432	786,209

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Within operating cash flows	133	1,070

34. Related Party Transactions

(a) The remuneration of directors and other members of key management personnel during the year:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Basic salaries and allowances	455	493

(b) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related parties during the year:

	Year ended 31 December 2025 HK$'000	Year ended 31 December 2024 HK$'000
Sales of finished goods to fellow subsidiaries	234,660	566,783
Sales of finished goods to an intermediate holding company	346,214	5,300
Purchase of raw materials from fellow subsidiaries	44,644	46,691
Management fee to a fellow subsidiary	250	250
Finance cost to a fellow subsidiary	342	9,538
Finance cost to an intermediate holding company	22,703	9,826

35. Principal Subsidiaries

Particulars of the Group's subsidiaries of 31 December 2025 and 2024 are set as follow:

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing 2025	2024	Principal activities/ Place of operation
Directly held:					
Greater Paper Development Limited	Hong Kong/Limited liability company	1 ordinary share of HK$1	100	100	Investment holding in Hong Kong
Hong Kong Jarfot Paper & Pulp International Trading Co., Limited	Hong Kong/Limited liability company	10,000,000 ordinary share of HK$1	100	N/A	Investment holding in Hong Kong
Indirectly held:					
UPPSD	The PRC/Limited liability company	Registered capital US$97,418,900	100	100	Manufacturing & trading of paper products in the PRC
山東遠通再生資源回收有限公司 (Shandong Yuantong Renewable Resources Recycling Company Limited*)	The PRC/Limited liability company	Registered capital RMB5,000,000	100	100	Recycling of wasted paper in the PRC
廈門建福漿紙國際貿易有限公司 (Xiamen Jarfot Pulp & Paper International Trade Co., Limited*)	The PRC/Limited liability company	Registered capital RMB10,000,000	100	N/A	Trading of paper products in the PRC
偉紙 (深圳) 紙業發展有限公司 (Weizhi (Shenzhen) Paper Development Limited*)	The PRC/Limited liability company	Registered capital RMB100,000	100	100	Investment holding in PRC

* The English name of these companies are used for identification purpose only. The official name of this entity is in Chinese.

36. Capital Commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2025 HK$'000	2024 HK$'000
Property, plant and equipment	11,052	11,915

37. Events after the Reporting Period

There were no significant events after the reporting period up to the date of this report.

Financial Summary

Condensed Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2025 HK$'000	For the year ended 31 December 2024 HK$'000	For the year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Revenue from continuing operations	1,459,268	1,331,437	1,372,077	1,044,390	1,229,456
(Loss)/profit from operations	(48,952)	48,179	(108,106)	(138,469)	479,287
(Loss)/profit before tax	(74,327)	24,340	(129,522)	(150,891)	471,771
(Loss)/profit attributable to equity owners of the Company	(73,661)	24,595	(128,798)	(150,875)	2,558,902

Condensed Consolidated Statement of Financial Position

	As at 31 December				As at 31 March
	2025 HK$'000	2024 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000
Total current assets	302,939	254,373	256,470	323,926	480,544
Total non-current assets	853,546	839,364	916,470	993,083	1,096,257
Total assets	1,156,485	1,093,737	1,172,940	1,317,009	1,576,801
Total current liabilities	221,722	432,832	367,998	459,332	829,263
Total non-current liabilities	802,778	463,270	625,499	541,888	238,683
Total liabilities	1,024,500	896,102	993,497	1,001,220	1,067,946
Equity attributable to equity owners of the Company	131,985	197,635	179,443	315,789	508,855