



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1689



2025
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Andy Yi Sheng (*Chairman*)
Mr. Zheng Minsheng
Ms. Zheng Catherine Jia Lin

Independent Non-executive Directors

Mr. Lau Kwok Hung
Mr. Fok Po Tin
Mr. Cai Xiaowen

AUDIT COMMITTEE

Mr. Lau Kwok Hung (*Chairman*)
Mr. Fok Po Tin
Mr. Cai Xiaowen

REMUNERATION COMMITTEE

Mr. Lau Kwok Hung (*Chairman*)
Mr. Fok Po Tin
Mr. Cai Xiaowen

NOMINATION COMMITTEE

Mr. Zheng Andy Yi Sheng (*Chairman*)
Ms. Zheng Catherine Jia Lin
(*appointed on 25 June 2025*)
Mr. Lau Kwok Hung
Mr. Fok Po Tin
Mr. Cai Xiaowen (*appointed on 25 June 2025*)

CORPORATE GOVERNANCE COMMITTEE

Mr. Zheng Andy Yi Sheng (*Chairman*)
Mr. Zheng Minsheng
Mr. Lau Kwok Hung

COMPANY SECRETARY

Mr. Lai Chi Fung

AUTHORISED REPRESENTATIVES

Mr. Zheng Andy Yi Sheng
Mr. Lai Chi Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

On Hong Kong law
Hastings & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1906-07, 19/F., Cosco Tower
183 Queen's Road Central
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 4 Wanji North Street
Wanji Industrial District, Shantou City
Guangdong Province, China

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Bank of China Limited
China Minsheng Banking Corporation Limited
Industrial & Commercial Bank of China Limited

WEBSITE

<https://www.huaxihds.com.hk>

STOCK CODE

1689

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Huaxi Holdings Company Limited, I respectfully present the results of the Group for the year ended 31 December 2025.

2025 IN REVIEW

For FY2025, the Group recorded a revenue of HK\$148.85 million and loss attributable to owners of the Company of HK\$34.01 million, representing an increase of 3.5% in revenue and a narrowing of loss by 69.3%, respectively, compared to FY2024.

Cigarette Packaging Business

The year 2025 marked the conclusion of China's "14th Five-Year Plan". Against the backdrop of a stable overall market volume, the traditional cigarette packaging industry underwent significant structural changes. Influenced by the national macro-policy of "total volume control and a moderately tight balance", the scale expansion of the downstream cigarette market has largely stagnated. The core of cigarette market competition has shifted towards the premiumization of product structures and the enhancement of brand value. This shift has compelled a comprehensive adjustment in the competitive landscape, cost control mechanisms, and development models within the traditional cigarette packaging industry.

In 2025, as the cigarette market transitioned from "volume growth" to "quality upgrade", competition within the cigarette packaging industry became increasingly polarized. Market concentration continued to rise, with resources further tilting towards leading large-scale packaging enterprises, which possess stable client relationships, comprehensive research and development capabilities, and have made early strategic investments in high-end anti-counterfeiting technologies and eco-friendly materials. At the same time, the stringent cost-control measures implemented by downstream cigarette manufacturers, coupled with frequent price fluctuations of upstream raw materials (such as paper, aluminum foil, and inks), subjected cigarette packaging enterprises to profit squeezes from both ends, leading to increasingly narrow profit margins.

In this context of industry-wide transformation and intense competition, the Group's Cigarette Packaging Business demonstrated resilience in its financial performance. For FY2025, the Cigarette Packaging Business recorded a revenue of HK\$140.59 million and a gross profit margin of 30.3%, representing an increase of 6.0% and 3.0 percentage points, respectively, compared to FY2024.

Environmental Treatment Business

In the absence of new construction projects awarded during the Year, the Environmental Treatment Business recorded a revenue of HK\$8.26 million for FY2025, a decrease of 25.1% (or HK\$2.77 million) from FY2024.

In 2025, with the full implementation of the central government's comprehensive debt resolution package, the pace at which local governments cleared their historical arrears to enterprises notably accelerated compared to the previous year. During the Year, the Group maintained close communication with local governments and gradually recovered some aged receivables related to construction projects with discounts.

Despite the ongoing fiscal constraints faced by local governments and the protracted internal government approval processes for project settlements, which continue to pose persistent challenges, we will maintain a proactive and agile management strategy, with a commitment to expediting the completion of settlement procedures with local governments and accelerating the recovery of project funds, in order to mitigate the impact on the Company's operations.

CHAIRMAN'S STATEMENT

VISION FORWARD

Year 2026 marks the commencement of China's new "15th Five-Year Plan" cycle for economic and industrial development. Building on the foundation laid during the "14th Five-Year Plan" period and reinforced by the recent policy signals from the National People's Congress, a national strategy centered on high-quality development, emphasizing technological self-reliance, and accelerating the green and low-carbon transition has become firmly established.

For the traditional cigarette packaging industry, this signifies that the structural pressures which emerged in 2025 will not only persist but will deepen and become more systemic under the impetus of national strategies, leading to a further intensification of competitive polarization within the sector. Value competition in traditional cigarette packaging will become increasingly intense, and price competition is expected to grow more acute. Against the backdrop of fluctuating prices for upstream raw materials (particularly aluminum foil), the profit margins of the Group's Cigarette Packaging Business may come under additional pressure, which poses a clear challenge to the future financial performance of the Group.

In response to this shifting landscape, the Group will remain committed to its core principles of prudent operation and customer value creation, while embracing change from a position of stability. We are dedicated to reinforcing our core business and strengthening our competitive resilience, while actively seeking new growth drivers—all with the aim of maximizing the long-term value for the Company and our Shareholders.

APPRECIATION

Finally, I would also like to take this opportunity on behalf of the Board to sincerely thank all the employees of the Group for their efforts and contributions, and to thank all Shareholders and partners for their support.

Zheng Andy Yi Sheng

Chairman

30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

The principal activities of the Group were Cigarette Packaging Business and Environmental Treatment Business in the Chinese Mainland.

For FY2025, the Group recorded revenue of approximately HK\$148.85 million, representing an increase of approximately HK\$5.08 million or 3.5% compared to HK\$143.77 million for FY2024, and loss attributable to owners of the Company of approximately HK\$34.01 million, representing a decrease of approximately HK\$76.76 million or approximately 69.3% compared to the loss attributable to owners of the Company of approximately HK\$110.77 million for FY2024.

Cigarette Packaging Business

During the Year, the revenue of the Cigarette Packaging Business saw improvement. Revenue of the Cigarette Packaging Business for FY2025 was approximately HK\$140.59 million, representing an increase of HK\$7.95 million or 6.0% compared to approximately HK\$132.64 million for FY2024.

The following table sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials for FY2025 and FY2024:

	FY2025		FY2024	
	HK\$'000	%	HK\$'000	%
Inner Frame paper	81,871	58.3	86,877	65.5
Tipping paper	35,021	24.9	31,132	23.5
Cigarette box frame paper	16,751	11.9	8,604	6.5
Cigarette trademark label	6,777	4.8	5,918	4.5
Others	166	0.1	105	0.0
Total	140,586	100.0	132,636	100.0

Environmental Treatment Business

In the absence of new construction projects awarded during the Year, the completion of existing construction projects that have entered the settlement stage, and the income generated from river ecological maintenance during the Year, the Environmental Treatment Business recorded a revenue of approximately HK\$8.26 million, representing a decrease of HK\$2.77 million or 25.1% compared to approximately HK\$11.03 million for FY2024.

Gross profit and gross profit margin

The gross profit of the Group for FY2025 was HK\$46.22 million (FY2024: HK\$7.38 million) which comprised gross profit of HK\$42.56 million (FY2024: HK\$36.26 million) from the Cigarette Packaging Business, gross profit of HK\$3.66 million (FY2024: gross loss of HK\$28.99 million) from the Environmental Treatment Business, and gross profit of approximately HK\$nil (FY2024: HK\$0.11 million) from other business.

The gross profit margin of the Group for FY2025 was 31.1%, representing an increase of 26.0 percentage points compared to 5.1% for FY2024. This was mainly due to (i) the improvement in the gross profit margin of the Cigarette Packaging Business and (ii) the turnaround in gross profit of the Environmental Treatment Business due to the completed construction projects reaching the settlement stage, and thereby eliminating the need for the Group to incur additional costs for maintaining these projects.

The gross profit margin of the Cigarette Packaging Business was approximately 30.3%, representing an increase of 3.0 percentage points compared to 27.3% for FY2024. The increase in gross profit margin was mainly due to higher sales of products with relatively higher profit margins in the Cigarette Packaging Business during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Costs

The distribution costs of the Group for FY2025 were amounted to approximately HK\$1.05 million representing an increase of HK\$0.05 million compared to approximately HK\$1.00 million for FY2024.

Administrative expenses

The administrative expenses of the Group for FY2025 were approximately HK\$33.56 million (FY2024: HK\$41.23 million), a decrease of 18.6% or approximately HK\$7.67 million, due to effective cost control during the Year.

Net impairment losses on financial and contract assets

During the Year, the net impairment losses on financial and contract assets were approximately HK\$44.47 million, representing a decrease of approximately HK\$35.14 million compared to HK\$79.61 million for FY2024. The net impairment loss for the Year was mainly due to the adoption of higher expected loss rates for certain customers in the Environmental Treatment Business in view of their long overdue status.

Other gains/(losses) – net

The net other gains of the Group for FY2025 were approximately HK\$1.52 million (FY2024: net other losses of HK\$5.16 million), mainly due to the improvement in the securities markets of both Hong Kong and Chinese Mainland during the Year, offset by the impairment loss on investment properties of HK\$1.81 million (2024: HK\$nil) for the Year. The Group recognised dividend income from financial assets at fair value through profit or loss (“FVPL”) of approximately HK\$0.25 million (FY2024: HK\$0.73 million) and net fair value gains on financial assets at FVPL of approximately of HK\$4.78 million (FY2024: net fair value losses of HK\$5.62 million) for FY2025.

Finance income/(cost) – net

During the Year, the net finance income/(cost) of the Group mainly comprised interest income on certain non-derivative wealth management products and bank deposits and interest expenses on lease liabilities. The net financial income for the Year was approximately HK\$0.50 million (FY2024: net finance cost of HK\$0.11 million).

Income tax (expenses)/credit

The income tax expenses for FY2025 were approximately HK\$3.23 million (FY2024: income tax credit of HK\$8.93 million).

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company for FY2025 of approximately HK\$34.01 million, representing a decrease of approximately HK\$76.76 million or approximately 69.3%, as compared to the loss attributable to owners of the Company of approximately HK\$110.77 million for FY2024.

Dividend

In light of the Group incurring a loss for the Year, the Board does not recommend the payment of final dividend for FY2025 (FY2024: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Securities Investments

The Group adopts a prudent approach to its securities investments, aiming for medium to long-term growth while capitalizing on short-term opportunities during market volatility. The Group manages risks within acceptable limits to maintain flexibility in funds management and to deliver reasonable returns to Shareholders.

The Group primarily focuses on investing in listed equities—including exchange-traded funds (ETFs) covering various sectors, indices, or commodities—on designated stock exchanges in Hong Kong, the Chinese Mainland and the United States to achieve diversification and mitigate risk. Investments are managed with a risk-aware approach, whereby a sustained loss exceeding 25% of the portfolio's value at cost will trigger an immediate review by the Board. The Group only invests in listed equities with sufficient market capitalization and trading liquidity, subject to the following constraints: (i) no single industry sector shall exceed 50% of the total portfolio value, and (ii) no single security (excluding broadly-indexed ETFs) shall exceed 30%. Derivatives (such as long put options and option spread strategies) may be used solely for hedging purpose to protect against significant market downturns and shall not be employed for speculative activities that could lead to unlimited losses (for example, short selling and naked short options). The Group also requires the portfolio to maintain sufficient flexibility and liquidity to respond to market changes and emerging opportunities, as well as to ensure that the Group's normal operational funding needs are met. All investment funds must be sourced exclusively from internal funds approved by the Board.

The Board is responsible for the overall oversight of investments, as well as governance, compliance and approval of the securities investment policy. The implementation of the investment strategy, management and execution of transactions within the portfolio, and maintenance of appropriate records are delegated to designated personnel, who are responsible to reporting their portfolio performance to the Board regularly.

As at 31 December 2025, the investment portfolios comprised equity securities listed in Hong Kong, the Chinese Mainland and the United States, as well as index options. The fair value of the investment portfolios as at 31 December 2025 amounted to HK\$11.50 million (31 December 2024: HK\$13.16 million). The Group's net gain from the investment portfolios for FY2025 was approximately HK\$5.03 million (FY2024: net loss of HK\$4.90 million), which included a gain of HK\$4.78 million (FY2024: a loss of HK\$5.62 million) on the change in fair value due to normal market volatility.

MANAGEMENT DISCUSSION AND ANALYSIS

The investment portfolios held by the Group as at 31 December 2025 and 31 December 2024 are as follows:

	31 December 2025		31 December 2024	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Equity securities listed in Hong Kong				
Other equity securities (Note 1)		919		1,236
Equity securities listed in the Chinese Mainland				
Guangdong Liantai 聯泰環保 (603797)	850,000	4,395	1,260,972	5,447
Guangdong Tonze Electric 天際股份 (002759)	–	–	350,000	3,315
Ping An Insurance 平安保險 (601318)		3,786		2,843
Other equity securities (Note 2)		–		320
Equity securities listed in the United States				
NVIDIA Corp (NDVA)	314	456		–
Tesla Inc (TSLA)	79	276		–
Microsoft Corp (MSFT)	68	256		–
Meta Platforms Inc (META)	48	247		–
Alibaba Group Holding Ltd (BABA)	208	237		–
Other equity securities (Note 3)		922		–
United States Index options		6		–
		11,500		13,161

Notes:

- (1) Other listed equity securities comprised 1 equity security listed in Hong Kong (31 December 2024: 3).
- (2) As at 31 December 2024, other listed equity securities comprised 2 equity securities listed in the Chinese Mainland.
- (3) Other listed equity securities comprised 37 equity securities listed in the United States (31 December 2024: nil).

Capital structure, liquidity and financial resources

As at 31 December 2025, the Group had net assets of HK\$169.82 million (31 December 2024: HK\$197.61 million) and working capital surplus of HK\$98.49 million (31 December 2024: HK\$120.41 million).

As at 31 December 2025, the total cash and cash equivalents and restricted cash balances of the Group amounted to approximately HK\$87.95 million (31 December 2024: HK\$63.37 million), including restricted cash at banks of HK\$42.86 million (31 December 2024: HK\$37.55 million) of which all (31 December 2024: all) were denominated in RMB, and cash and cash equivalents of HK\$45.09 million (31 December 2024: HK\$25.83 million) of which HK\$40.44 million (31 December 2024: HK\$25.23 million) were denominated in RMB and HK\$0.18 million (31 December 2024: HK\$0.08 million) were denominated in US\$.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	FY2025 HK\$'000	FY2024 HK\$'000
Net cash generated from operating activities	27,894	17,193
Net cash generated from investing activities	1,969	12,084
Net cash used in financing activities	(12,510)	(14,530)
Net decrease in cash and cash equivalents	17,353	14,747
Cash and cash equivalents at the beginning of the Year	25,826	12,341
Effect on change in exchange rates	1,905	(1,262)
Cash and cash equivalents at the end of the Year	45,084	25,826

Sources of funds of the Group are mainly cash inflows from operating activities and bank borrowings. The Group regularly monitors its liquidity position, projected liquidity requirements and its compliance with lending covenants, as well as maintains long-term sound relationships with major banks to ensure that it has sufficient liquidity to meet its working capital requirements and future development needs.

Borrowings and gearing ratio

As at 31 December 2025, the Group did not have any borrowings. As at 31 December 2024, the Group's borrowings of HK\$10.26 million consisted of fixed-rate borrowings denominated in RMB, secured by a personal guarantee provided by the controlling Shareholder, with an interest rate of 3.70% per annum, and maturing within one year.

The Group's gearing ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings plus lease liabilities less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the consolidated financial statements plus net borrowings. No gearing was presented as the Group had net cash surplus as at 31 December 2025 and 2024.

Exposure to fluctuations in exchange rates

The Group's transactions for its principal subsidiaries in the Chinese Mainland are mainly conducted in RMB, the functional currency of the subsidiaries, and the major receivables and payables of the Group are also denominated in RMB.

The Group's exposure to foreign currency risk is primarily related to certain cash and bank balances, financial assets at FVPL, trade receivables, prepayment and other receivables, other payables and accruals and lease liabilities that are denominated in HK\$. Presently, the Group has no hedging policy in place with respect to the foreign exchange exposure.

Capital expenditure and commitments

During the Year, the Group's total capital expenditure amounted to approximately HK\$2.65 million, which was used in the acquisition of property, plant and equipment and right-of-use assets (FY2024: HK\$5.82 million).

As at 31 December 2025 and 2024, the Group had no capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on assets

As at 31 December 2025, the Group placed cash deposits of approximately HK\$42.86 million (31 December 2024: HK\$37.55 million), which consisted of deposits of HK\$42.14 million (31 December 2024: HK\$35.90 million) as collateral for the Group's notes payable and deposits of HK\$0.66 million (31 December 2024: HK\$1.58 million) as performance guarantee letter deposits, which were all denominated in RMB.

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2025 and 2024.

Material acquisitions and disposals for subsidiaries, associates and joint ventures

The Group did not have any material acquisitions and disposals relating to subsidiaries, associates and joint ventures during the Year (FY 2024: same).

Significant investment activities

The Group had no significant investment activities during the Year (FY2024: same).

Future Plans for Material Investments or Capital Assets

There were no plans authorised by the Board for any material investments or additions of capital assets as at 31 December 2025 (31 December 2024: same).

FUTURE OUTLOOK AND PROSPECTS

Looking ahead, under the national strategy of high-quality development—emphasizing technological self-reliance and accelerating the green and low-carbon transition—in its “15th Five-Year Plan” cycle, the Cigarette Packaging Business and the Environmental Treatment Business will continue to face challenges.

The Cigarette Packaging Business will remain the core business of the Group. We will continue to strengthen our relationships and maintain our excellent reputation with existing customers, while actively seeking new customers to enhance our presence in the cigarette packaging materials market.

Given that fiscal conditions remain stressful for local governments, the Environmental Treatment Business is expected to remain challenging in the near future, and the likelihood of awarding new ecological restoration projects will continue to be low.

In response to these challenges, the Group remains committed to its core principles of prudent operation and customer value creation. We will reinforce our core business, strengthen our competitive resilience, and actively seek new growth drivers to maximize the long-term value of the Company and our Shareholders.

HUMAN RESOURCES

As at 31 December 2025, the Group employed a total of 247 (31 December 2024: 258) permanent employees in the Chinese Mainland and Hong Kong. Total employee remuneration (including Directors' emoluments and benefits) for FY2025 amounted to HK\$33.98 million (FY2024: HK\$36.40 million). The Group provided its employees with competitive remuneration packages which were determined by their performance, qualification, experience and will continue to review with reference to the level and composition of pay and general market condition. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes and discretionary incentive.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHENG Andy Yi Sheng, aged 65, was appointed as a Director on 29 April 2013 and re-designated as an Executive Director, chairman of the Board and chief executive officer (CEO) of the Group on 24 July 2013. He is also the chairman of the Nomination Committee and CG Committee. Mr. Zheng is the founder of the Company and has over 20 years of experience in the packaging material industry. Since 1992, he has been the director of Shantou Xinda and became our chairman since 1997. Mr. Zheng was awarded a fellowship of Asian College of Knowledge Management in 2013. Mr. Zheng is the elder brother of Mr. Zheng Minsheng, an Executive Director, and the father of Mr. Zheng Kevin Xiao Lin, the project manager of the Group and Ms. Zheng Catherine Jia Lin, an Executive Director.

Mr. ZHENG Minsheng, aged 62, was appointed as an Executive Director on 24 July 2013 and is the deputy general manager of the Group. He is also a member of the CG Committee. Mr. Zheng has over 20 years of experience in the packaging material industry. Since 1992, he has been the director and deputy general manager of Shantou Xinda and is responsible for procurement of raw materials, production management and quality control. Mr. Zheng is the younger brother of Mr. Zheng Andy Yi Sheng, an Executive Director, chairman of the Board and the CEO of the Group, and the uncle of Mr. Zheng Kevin Xiao Lin, the project manager of the Group and Ms. Zheng Catherine Jia Lin, an Executive Director.

Ms. ZHENG Catherine Jia Lin, aged 31, joined the Group in September 2018 and was appointed as an Executive Director on 20 December 2024 and a member of the Nomination Committee on 25 June 2025, respectively. She graduated from the University of Melbourne with a Bachelor of Commerce degree, and is a chartered accountant of Australia and New Zealand and a member of Hong Kong Institute of Certified Public Accountants. Ms. Zheng had worked for big four international accounting firms and has over 8 years of experience in risk management. Ms. Zheng is the daughter of Mr. Zheng Andy Yi Sheng, an Executive Director, chairman of the Board and the CEO of the Group, the younger sister of Mr. Zheng Kevin Xiao Lin, the project manager of the Group, and the niece of Mr. Zheng Minsheng, an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kwok Hung, aged 79, was appointed as an INED on 24 July 2013. He is the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee and CG Committee. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and formerly, was a fellow of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants. Mr. Lau holds a Senior Executive Master Degree in Business Administration from Charles Darwin University. He also obtained a Diploma in Insolvency issued by the Hong Kong Institute of Certified Public Accountants and an Executive Diploma in International Business Valuation issued by the School of Professional and Continuing Education of the University of Hong Kong. He has extensive experience in financial accounting, auditing, taxation, company secretarial matter and corporate finance, especially in mergers, acquisitions and corporate restructuring. Mr. Lau is currently an independent non-executive director of Huiyuan Cowins Technology Group Limited (formerly known as Mayer Holdings Limited) (stock code: 1116).

Mr. FOK Po Tin, aged 66, was appointed as an INED on 24 July 2013. Mr. Fok holds a Bachelor's degree in Business Administration with Honours from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Beijing University. He is a practicing solicitor of the High Court of Hong Kong and is the principal of Henry Fok & Company, Solicitors. Mr. Fok, who has over 20 years of extensive experience as a solicitor of general practice, is very familiar with commercial law. He was previously an executive director and chairman of Sunway International Holdings Limited (stock code: 0058) from July 2020 to December 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CAI Xiaowen, aged 53, was appointed as an INED on 1 April 2020. He is the member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Cai holds a Bachelor degree in Law from Huaqiao University. He also holds a Master degree in Law from Southwest University of Political Science and Law and a degree of Master of Common Law from The University of Hong Kong in 2004. Mr. Cai was also awarded a degree of Doctor of Philosophy in Law (Legal Procedure) from Macau University of Science and Technology. Mr. Cai is qualified as a lawyer in China. He was the vice president and risk control director of Yihua (Enterprise) Group Co., Ltd. (“**Yihua Group**”). Yihua Group is the controlling shareholder of Yihua Life Technology Co., Ltd. (Shanghai Stock Exchange stock code: 600978) and Yihua Health Medical Co., Ltd. (Shenzhen Stock Exchange stock code: 000150). Currently, Mr. Cai is working as a lawyer in China, an arbitrator at Shantou Arbitration Commission, the Supervisor of Master of Laws of Jinan University and a tutor at School of Political Science and Law of Guangdong University of Technology.

SENIOR MANAGEMENT

Mr. LI Zhiyong, aged 64, is the deputy general manager of Shantou Xinda. Mr. Li has worked for the Group since September 1995 and is responsible for all marketing activities. Mr. Li graduated from Shantou Commercial Bureau Staff Amateur Secondary School.

Mr. LI Cancheng, aged 45, joined the Group in August 2006. He is the factory manager of Shantou Xinda. He is responsible for tipping paper processing, printing and packaging manufactory. Mr. Li was a drawing designer in Shantou Zhaohua Electric Company Limited during the years between 1999 and 2006. Mr. Li completed a course in economic management in South China University of Technology in July 2005 and was awarded the qualification of intermediate economist in human resources by Ministry of Human Resources and Social Security of the PRC in January 2010.

Mr. ZHENG Kevin Xiao Lin, aged 37, joined the Group in 2015 as the assistant company secretary and has been serving as the project manager of the Group since January 2020. His primary domains of responsibility include engaging in Company’s strategic planning, managing daily operations, superintending various projects undertaken by the Company, and assessing key performance metrics. Mr. Zheng obtained his double Bachelor’s degrees in Commerce and Media & Communications at University of Melbourne, Australia in 2011 and a Master’s degree in Management at Worcester Polytechnic Institute, Massachusetts, USA. He is an associate of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Mr. Zheng is the son of Mr. Zheng Andy Yi Sheng, an Executive Director, chairman of the Board and the CEO of the Group, the elder brother of Ms. Zheng Catherine Jia Lin, an executive Director, and the nephew of Mr. Zheng Minsheng, an Executive Director.

Mr. TANG Jinhai, aged 52, joined the Group in July 2013 as the financial controller of Shantou Xinda, and is currently the PRC regional financial controller of the Group. Mr. Tang graduated from Huazhong University of Science & Technology (formerly known as Huazhong Polytechnic University) in 1996. Mr. Tang is a CICPA registered under Guangdong Provincial Institute of Certified Public Accountants and has over 10 years of experience in assurance works and more than 7 years in financial management.

Mr. LAI Chi Fung, aged 45, joined the Group in October 2023 as the financial controller, secretary and authorised representative of the Company. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor of Business Administration (Honours) degree in Accounting. Mr. Lai has over 18 years of experience in auditing, accounting, financial management, corporate finance, mergers and acquisitions and company secretarial practice. Prior to joining the Group, Mr. Lai worked for certain professional accounting firms, and served as the finance manager, financial controller and company secretary in several companies listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE CULTURE

Huaxi upholds “Integrity, Harmony and Excellence” as its core corporate culture value, and dedicate to deliver excellent product quality and high-quality services to its customers. Details of the vision of the Company are set out in the section headed “Chairman’s Statement” of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the Board believes that effective governance is essential to the maintenance of the Group’s competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the CG Code.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the Year and, where appropriate, the applicable recommended best practices of the CG Code, save the followings:

Code Provision C.2.1

Code Provision C.2.1 stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO should be clearly established and set out in writing.

Mr. Zheng Andy Yi Sheng is the chairman of the Board and the CEO of the Group. In view of the scale of operations of the Company and the fact that daily operations of the Group’s business is delegated to the senior executives and department heads and the substantial decisions are left to the Board (including INEDs), the Board considers that vesting the roles of both chairman and CEO in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision C.5.1

Code Provision C.5.1 stipulates that the Board should meet regularly and Board meeting should be held at least four times a year approximately quarterly intervals. During the Year, only two regular Board meetings were held to review and discuss the annual and interim results of the Company. Since the Company does not announce its quarterly results, the Board does not consider the holding of quarterly meetings as necessary. Instead, the Board meets on other occasions when a Board-level decision on a particular matter is required. Apart from the foresaid two regular Board meetings, the Board held two additional Board meetings during the Year to discuss the appointment of a female member to the Nomination Committee and to transact other business affairs.

Code Provision D.1.2

Pursuant to Code Provision D.1.2, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules. During the Year, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision D.1.2, as all the Executive Directors are involved in the daily operation of the Group and are fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including INEDs) periodically updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all Directors, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code.

CORPORATE GOVERNANCE REPORT

The Board of Directors

The Board currently comprises three Executive Directors and three INEDs. Their length of tenure and current period of appointment were as follows:

Name of Directors	Date of appointment	Length of tenure	Current period of appointment
Executive Directors			
Mr. Zheng Andy Yi Sheng (chairman of the Board)	29 April 2013	13 years	Note (i)
Mr. Zheng Minsheng	24 July 2013	13 years	Note (i)
Ms. Zheng Catherine Jia Lin	20 December 2024	1 year	Note (i)
INEDS			
Mr. Lau Kwok Hung	24 July 2013	13 years	Note (ii)
Mr. Fok Po Tin	24 July 2013	13 years	Note (ii)
Mr. Cai Xiaowen	1 April 2020	6 years	Note (ii)

Notes:

- (i) No specific term of service with the Company and is subject to retirement by rotation and re-election at annual general meetings of the Company according to the Articles of Association unless and until terminated by either party by giving to the other not less than three months' prior notice in writing.
- (ii) A term of three years commencing from the conclusion of the annual general meeting at which they were retired by rotation and re-elected as INEDs, and expiring at the conclusion of the third annual general meeting thereafter, subject to early termination provisions contained therein and the retirement by rotation and re-election pursuant to the Articles of Association, unless and until terminated by either party by giving to the others not less than three months' prior notice in writing.

During the Year, the Board has at all times complied with rules 3.10 and 3.10A of the Listing Rules.

The Directors have brought a balance of valuable and diversified business and professional expertise, experience and independent judgement to the Board for its sufficient and effective management of the Company's business. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report which demonstrate a diversity of skills, experience and qualification.

Roles and Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision-making in all major matters of the Company, including the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, as well as material transactions (in particular those that may involve conflicts of interest), appointment of Directors and Board Committees' members, and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operations and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives, and the Board has the full support of them to discharge its responsibilities.

All Directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensure the Board procedures and all applicable rules and regulations are followed.

CORPORATE GOVERNANCE REPORT

The Company has established relevant mechanisms to ensure independent views and input are available to the Board and conducts review of such mechanisms on an annual basis. Each Director is entitled to seek, at the Group's expense, independent professional advice that is reasonably necessary for discharging their duties. The Company Secretary will make necessary arrangements when the Directors wish to seek such independent professional advice.

The Company has arranged appropriate liability insurance for the Directors and Senior Management to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The chairman and CEO of the Group, Mr. Zheng Andy Yi Sheng, is responsible for setting the overall business strategies and management and ensuring the Board is functioning properly. He is also responsible for managing the Group's business, including implementing the Group's strategies and making day-to-day decisions.

The deputy general manager of the Group, Mr. Zheng Minsheng, is responsible for managing the business operation of the Cigarette Packaging Business, including procurement, production management and quality control.

The Executive Director, Ms. Zheng Catherine Jia Lin, is responsible for the financial and administrative functions of the Group.

The INEDs are independent to the management of the Group's business. They are professionals with substantial experience in accounting, financial management, legal and business. The mix of their skills and business experience is a major contribution to the future development of the Company. They also ensure the Company maintains a high standard of financial and legal reporting and provide checks and balances to safeguard the interests of the Shareholders.

Board Performance Review

During the Year, the Board did not conduct a Board performance review. A Board performance review is scheduled to be conducted in the year 2026.

Board Skills Matrix

The Board possesses a broad mix of skills and experience that together enable effective governance and strategic guidance. This includes deep expertise in general management and business operations, specific knowledge of the Group's industry, and extensive experience in accounting, risk management, mergers and acquisitions, strategy development, legal and regulatory matters, and corporate governance. This combination ensures robust oversight of both the day-to-day operations and long-term ambitions of the Group.

The collective capabilities of the Board directly serve the Company's purpose, values, strategy and desired culture. The Board's strong industry knowledge and strategic development expertise ensure its plans are innovative and commercially sound, while its governance and legal experience provide a firm ethical foundation that mirrors its commitment to integrity. The diverse professional backgrounds and perspectives represented on the Board foster thoughtful discussion and careful risk assessment, which supports a resilient and accountable corporate culture.

This balanced skill set allows the Board to champion the Group's values while pursuing disciplined growth, ensuring every strategic decision aligns with the Group's core values and long-term objectives.

Following its annual evaluation, the Board has determined that its current composition offers an appropriate balance of skills to meet the Company's strategic needs. Therefore, no specific skills are targeted for acquisition at this time, and no new plans to recruit for further skills have been established or acted upon during the Year. The Board remains committed to regularly reviewing its composition to ensure it continues to align with the evolving challenges and opportunities facing the business.

CORPORATE GOVERNANCE REPORT

Board Diversity

The Company operates in a diverse business environment. A Board whose composition takes into account gender, age, cultural and educational background, and ethnicity is well-positioned to consider the interests of its employees, customers, suppliers, others business partners, governmental and other institutions that influence the Company, and members of the public. In addition, professional experience, skills, knowledge, and length of service are self-evidently important contributors to the quality of the Board's decision making.

The Company has a Board diversity policy in place which sets out the approach to achieving diversity on the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, and any other factors that the Board might consider relevant and applicable.

The Company recognizes the importance of gender diversity at the Board and management levels and has achieved a gender-diverse Board composition, with at least one female Director serving. The Company will continue to take steps to promote gender diversity at all levels of the Company with a target of achieving and maintaining at least 10% of female representation on the Board. To develop a pipeline of potential female successors to the Board, the Company will (a) include gender diversity as a consideration in its recruitment process for mid to senior level roles; and (b) allocate appropriate resources to the training and preparation of high-potential female staff for promotion to the Senior Management or the Board.

The Nomination Committee has set measurable objectives in key areas such as gender, age, cultural and educational background, professional experience and skills and knowledge for the implementation of the Board diversity policy of the Company. The Nomination Committee and the Board review the Board diversity policy, as appropriate, to ensure its continued appropriateness and effectiveness from time to time.

The current Board composition reflects a range of perspectives as outlined in the policy. Having reviewed the Board diversity policy and taken into account the measurable objectives as well as the current Board skills matrix, both the Nomination Committee and the Board consider that the Board diversity policy is effectively implemented.

Workforce Diversity

The Company recognizes that diversity is a core value of the Group and has adopted a workforce diversity policy during the Year. It believes that a diverse workforce and an inclusive culture are fundamental to the Group's sustainable growth and operational success. The Company is committed to establishing a diverse and inclusive workplace by fostering an environment where all employees – regardless of gender, age, family status, race, ethnicity, religion, sexual orientation, gender identity, disability, or other characteristics protected by applicable laws – are valued, respected, and treated fairly with equal access to opportunities. A key aim is to maintain an appropriate level of female staff and female representation at the management level. All employment-related decisions should be made based on merit, with reference to qualifications, experience, skills, potential and performance, and should be free from any form of bias or discrimination.

The Group has translated this commitment into clear, measurable objectives, including targets at this stage of striving to achieve at least 10% female representation in Senior Management and approximately 30% female employees across the total workforce. At 31 December 2025, the gender ratio in Senior Management was 87% male to 13% female (31 December 2024: 87% male to 13% female) and the gender ratio for the workforce (excluding Senior Management) stood at 70% male to 30% female (31 December 2024: 70% male to 30% female), demonstrating tangible progress toward the Group's stated diversity targets.

Nomination Policy

The Company has adopted a nomination policy which is summarized and disclosed below:

Objective and Scope

The Company recognizes the importance of having a qualified and competent Board to achieve the optimum corporate strategy as well as to promote Shareholder's value. The nomination policy sets out the selection criteria, process and procedures which govern the nomination of members of the Board applicable to both new appointments and reappointments.

Selection Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the followings:

(a) *Attributes complementary to the Board*

The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.

(b) *Business experience, board expertise and skills*

The candidate should have the ability to exercise sound business judgment and also possess proven achievement and experience in directorship including effective oversight of and guidance to management.

(c) *Commitment*

The candidate should be able to devote sufficient time for the proper discharge of the duties of a Director, including, amongst others, to attend Board meetings and participate in induction, trainings and other Board associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reasons given by the candidate for being able to devote sufficient time to the Board.

(d) *Standing*

The candidate must satisfy the Board and the Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director.

(e) *Independence*

The candidate to be nominated as an INED must satisfy the independence criteria set out in rule 3.13 of the Listing Rules. In particular, the Nomination Committee would pay special attention to the following situations:

- i. Where the proposed INED has served more than nine years (the "**Long Serving INED**"), such Director's further appointment should be subject to a separate resolution to be approved by the Shareholders. The Board or the Nomination Committee should state in the papers accompanying such resolution the factors considered, the process and the Board's discussion on why the Long Serving INED is still independent and should be re-elected.
- ii. Where all INEDs are Long Serving INEDs, the Company should make disclosure on the length of tenure of the Long Serving INEDs on a named basis in the papers to Shareholders for the annual general meeting. The Board or the Nomination Committee should appoint a new INED on the Board at the forthcoming annual general meeting.

The Nomination Committee is vested with discretion to take into account such other factors as it may consider appropriate.

CORPORATE GOVERNANCE REPORT

Nomination Procedures

1. *Appointment of New and Replacement Directors*

- (a) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, Shareholders, management, advisers of the Company and external executive search firms.
- (b) The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board.
- (c) On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate as Director to fill a casual vacancy or as an addition to the Board or recommend such candidate to Shareholders for election or re-election (where appropriate) at the general meeting. The Board has the final authority on determining suitable director candidate for appointment.

2. *Re-election of Directors and Nomination from Shareholders*

- (a) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at the general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to the general meeting in accordance with the Listing Rules.
- (b) Any Shareholder who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary within the lodgment period specified in the relevant Shareholder circular (i) a written nomination of the candidate, (ii) written confirmation from such nominated candidate of his willingness to stand for election, and (iii) biographical details of such nominated candidate as required under rule 13.51(2) of the Listing Rules. Particulars of the candidate so proposed will be sent to all Shareholders for information by a supplementary circular.

Relationship amongst Directors

Mr. Zheng Andy Yi Sheng, the chairman of the Board, an Executive Director and the CEO of the Group, is the elder brother of Mr. Zheng Minsheng, an Executive Director, and is the father of Ms. Zheng Catherine Jia Lin, an Executive Director.

Mr. Zheng Minsheng, an Executive Director, is the younger brother of Mr. Zheng Andy Yi Sheng, the chairman of the Board, an Executive Director and the CEO of the Group, and is the uncle of Ms. Zheng Catherine Jia Lin, an Executive Director.

Ms. Zheng Catherine Jia Lin, an Executive Director, is the daughter of Mr. Zheng Andy Yi Sheng, the chairman of the Board, an Executive Director and the CEO of the Group, and the niece of Mr. Zheng Minsheng, an Executive Director.

Save as aforesaid, the Board members do not have any financial, business, family or other material/relevant relationships with each other.

Non-executive Directors and INEDs

The non-executive Directors, including INEDs, provide the Board the benefit of their skills, expertise, and varied backgrounds and experiences. Through active participation in Board meetings and serving on various Board Committees, they bring independent judgment and make valuable contributions to the effective direction and strategic decision-making of the Group.

Having taken into account the independence guidelines set out in rule 3.13 of the Listing Rules, the Company confirms that all INEDs are considered independent. One of the INEDs possesses appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

The Board retains the functions for the selection and approval of candidates to become Board members. Under the Articles of Association, all Directors who are appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, one-third of the Directors, who have been the longest on the Board since their last election, must retire from office by rotation but then be eligible for re-election at each annual general meeting of the Company. As such, no Director has a term of appointment longer than three years.

Continuous Professional Development (CPD) of the Directors

All Directors must participate in CPD to develop and refresh their knowledge and skills every year, especially in the topics covering (i) the roles, functions and responsibilities of the Board, the Board Committees and the Directors and Board effectiveness (“**Topic 1**”); (ii) the obligations of the Company and the duties of the Directors under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rule updates) relevant to the discharge of such obligations and duties (“**Topic 2**”); (iii) corporate governance and Environmental, Social and Governance (ESG) matters (including developments on sustainability or climate-related risks and opportunities relevant to the Group and its business (“**Topic 3**”); (iv) risk management and internal controls (“**Topic 4**”); and (v) updates on industry-specific developments, business trends and strategies relevant to the Group (“**Topic 5**”) (collectively, “**All Topics**”).

Upon appointment to the Board, each newly appointed Director receives an induction package covering a general understanding of the Group and its businesses and operations. Trainings are arranged with the Company’s external legal advisers on Director’s legal role, duties and responsibilities. The Directors are kept informed in a timely manner of major changes on the relevant laws, rules and regulations.

During the Year, the details of CPD completed by the Directors are detailed as below:

Name of Directors	Total number of hours of CPD completed	Format/Mode of CPD taken	Number of hours for each format/mode	CPD topics covered	Description of training provider(s)
Mr. Zheng Andy Yi Sheng	26.0	Self-study	26.0	All Topics	N/A
Mr. Zheng Minsheng	6.5	Self-study Conference	1.5 5.0	All Topics All Topics	N/A Internal
Ms. Zheng Catherine Jia Lin	18.0	Self-study Seminar	10.0 8.0	All Topics Topic 3/ Topic 5	N/A Professional institution
Mr. Lau Kwok Hung	15.0	Self-study	15.0	All Topics	N/A
Mr. Fok Po Tin	12.0	Self-study	12.0	All Topics	N/A
Mr. Cai Xiaowen	12.0	Self-study	12.0	All Topics	N/A

The Directors, namely Mr. Zheng Andy Yi Sheng, Mr. Zheng Minsheng, Ms. Zheng Catherine Jia Lin, Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen, confirm that they have respectively participated in CPD as required by rules 3.09F, 3.09G and 3.09H of the Listing Rules, where applicable, during the Year.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board normally has two regular meetings a year and meets as and when Board-level decision on a particular matter is required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association. During the Year, four Board meetings and one general meeting were held.

The table below sets out the attendance of each Director at the annual general meeting held on 25 June 2025 and the meetings of the Board and Board Committees held during the Year:

Name of Directors	Annual General Meeting	Meetings attended/held				
		Board	Audit Committee	Remuneration Committee	Nomination Committee	CG Committee
Mr. Zheng Andy Yi Sheng	1/1	4/4	N/A	N/A	1/1	1/1
Mr. Zheng Minsheng	1/1	4/4	N/A	N/A	N/A	1/1
Ms. Zheng Catherine Jia Lin	1/1	3/4	N/A	N/A	N/A	N/A
Mr. Hao Jiming <i>(resigned on 30 April 2025)</i>	N/A	0/2	N/A	N/A	N/A	N/A
Mr. Lau Kwok Hung	1/1	4/4	3/3	1/1	1/1	1/1
Mr. Fok Po Tin	1/1	4/4	3/3	1/1	1/1	N/A
Mr. Cai Xiaowen	1/1	3/4	3/3	1/1	N/A	N/A

BOARD COMMITTEES

The Board has delegated various responsibilities to the Board Committees (including Audit Committee, Remuneration Committee, Nomination Committee and CG Committee) to oversee particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference setting out their respective authorities and duties, which are available on the Company's website. The Board and the Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee is currently chaired by Mr. Lau Kwok Hung, with Mr. Fok Po Tin and Mr. Cai Xiaowen as members. All of them are INEDs who possess the relevant qualifications, experiences and skills to contribute to the financial, governance, internal controls and risk management of the Company.

The main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual financial items; overseeing the relationship between the Company and the external auditors; and reviewing the adequacy and effectiveness of the Company's risk management and internal control systems. Details of the authorities and duties of the Audit Committee are set out in its terms of reference, which are made available on the Company's website.

During the Year, the Audit Committee held three meetings, inter alia, to review the final results for FY2024 and the interim results for the six months ended 30 June 2025 of the Group, the Group's risk management and internal control systems, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and to discuss the Group's audit plan with its external auditor. In addition, the Audit Committee met with the external auditor twice without the presence of the management to discuss any areas of concern, if any.

Remuneration Committee

The Remuneration Committee is currently chaired by Mr. Lau Kwok Hung, with Mr. Fok Po Tin and Mr. Cai Xiaowen as members. All of them are INEDs. The Remuneration Committee is mainly responsible for making recommendations on the remuneration policy, structure and packages for the Executive Directors and Senior Management, as well as reviewing and approving their service contracts. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference, which are made available on the Company's website.

During the Year, the Remuneration Committee convened one meeting to review and approve the remuneration packages of the Executive Directors and Senior Management and the service contracts of the retiring Directors.

Nomination Committee

The Nomination Committee is currently chaired by Mr. Zheng Andy Yi Sheng, the chairman of the Board, with one Executive Director, Ms. Zheng Catherine Jia Lin and three INEDs, Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen as members.

The Nomination Committee is responsible for, inter alia, identifying individuals suitably qualified to become Board members, assessing the independence of INEDs, considering the re-appointment of Directors, as well as reviewing the structure, size, composition and skill matrix of the Board, along with the Board's diversity policy and its implementation, with each case involving making recommendations to the Board on these matters. The Nomination Committee also supports the Company's regular evaluation of the Board's performance. Details of the authorities and duties of the Nomination Committee are set out in its terms of reference, which are made available on the Company's website.

During the Year, the Nomination Committee convened one meeting to review the structure, size, composition, and diversity of the Board, as well as the independence of INEDs, and to consider nominations and re-appointments of retiring Directors, along with making appropriate recommendations.

During the Year, the Nomination Committee reviewed the Board's composition and nominated Mr. Lau Kwok Hung, Mr. Fok Po Tin and Ms. Zheng Catherine Jia Lin to the Board for it to recommend to the Shareholders for re-election at the annual general meeting held on 25 June 2025. The nomination was made after taking into account the respective contribution of the retiring Directors to the Board and the skills, experience, professional knowledge, personal integrity and time commitments of the retiring Directors, with due regard for the benefits of Board diversity.

The Nomination Committee has reviewed the time commitment and contributions to the Board of each Director on an individual basis. Having taken into account their respective character, integrity, independence, professional qualifications and working experience, as well as their existing directorships of other listed companies, other significant external time commitment, and their contributions to the Board during their years of service, the Nomination Committee considered that all Directors are able to discharge their responsibilities effectively.

CG Committee

The CG Committee is currently chaired by Mr. Zheng Andy Yi Sheng, the chairman of the Board, with an Executive Director, Mr. Zheng Minsheng and an INED, Mr. Lau Kwok Hung as members.

The CG Committee is responsible for, inter alia, developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; reviewing and monitoring the training and CPD of the Directors and Senior Management; and monitoring the Company's policies and practices on compliance with legal and regulatory requirements on corporate governance matters of the Group, including compliance with the CG Code and the relevant disclosures. Details of the authorities and duties of the CG Committee are set out in its terms of reference, which are made available on the Company's website.

During the Year, the CG Committee convened one meeting to review the Directors' and the Company Secretary's participation of CPD requirements, the Company's policies and practices on corporate governance matters and compliance with legal and regulatory requirements, the Model Code and the CG Code, as well as the Company's ESG report.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Year.

ACCOUNTABILITY AND AUDIT

Responsibility for the financial statements

The Directors acknowledge their responsibilities to prepare consolidated financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group and that of the results and cash flows in the relevant financial year. In preparing the financial statements for the Year, the Directors have selected appropriate accounting policies, applied them consistently in accordance with appropriate HKFRS Accounting Standards, and made adjustments and estimates prudently and reasonably. The Directors, having made appropriate enquiries, considered that the Group has adequate resources to continue its operational existence for the foreseeable future, and thus have prepared the consolidated financial statements on a going concern basis. The responsibilities of the external auditors to the Shareholders are set out in the Independent Auditor's Report on pages 71 to 74 of this annual report.

Auditor's remuneration

The Audit Committee has been notified of the nature and service charges of non-audit services performed by PricewaterhouseCoopers, the auditor of the Group, and considered that such services have no adverse effect on the independence of their audit work. A summary of audit and non-audit services provided by PricewaterhouseCoopers for the Year and their corresponding remuneration is as follows:

Nature of services	HK\$'000
Audit service	1,758
Others (including agree-upon procedures of preliminary announcement of final results and other non-audit services)	131

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for the Group's risk management and internal control systems, and is committed to implementing effective and sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

The risk management and internal control systems are designed to manage, rather than eliminate, the risks of failure to achieve business objectives, material misstatement, errors, loss, or fraud. They 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 accept in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining this structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with established lines of responsibility, delegated authority and accountability to assist the Board in maintaining a proper control environment. Procedures have been designed to (i) safeguard assets from inappropriate use; (ii) maintain proper accounting records; (iii) ensure compliance with applicable laws, rules and regulations; and (iv) manage the risk of failure to achieve business objectives. All divisions and departments conduct internal control assessments regularly to identify risks that could potentially impact the business of the Group, including key operational and financial processes, regulatory compliance and information security. Self-evaluations are conducted annually to confirm that control policies are properly followed by each division and department.

CORPORATE GOVERNANCE REPORT

The Group did not establish its own internal audit team, considering the size and complexity of its operations and the potential costs involved. Instead, an annual review of the internal control systems of different operations and an evaluation of the Group's corporate governance are conducted by an independent external consulting firm (the "**Consulting Firm**") to ensure the effectiveness and adequacy of the internal control system and good corporate governance of the Group. A review report from the Consulting Firm has been presented to the Board after being reviewed by the Audit Committee. No significant irregularities or deficiencies in the risk management and internal control systems were identified or brought to the attention of the Audit Committee and the Board. However, certain recommendations for further enhancing the internal control system have been provided in the review report. The arrangements of appointing the Consulting Firm, instead of establishing the Group's own internal audit team, for reviewing the internal control systems of various operations are considered and reviewed annually by the Audit Committee and the Board.

Based on the review report provided by the Consulting Firm, the Board considered the appropriateness and effectiveness of the Group's risk management and internal control systems during the Year, and confirms that these systems are appropriate and effective for the purpose set out in Principle D2 of the CG Code.

During the Year, there were no significant changes in the assessment of risks (including ESG risks) or in the risk management and internal control systems.

Procedures and internal controls for the handling and dissemination of inside information

The Group handled and disseminated inside information in compliance with the Listing Rules and the SFO. If an information is determined as inside information, such information will be disclosed as soon as reasonably practicable by way of announcements unless the information falls within any of the Safe Harbours as provided in the SFO. Before the inside information is fully disclosed, such information will keep strictly confidential and will only be disclosed to, and handled by, those employees who have a genuine need to know. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring the information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts. The Board will seek advice from the legal adviser of the Company for any doubts.

DIVIDEND POLICY

The Company's dividend policy, enunciated at the time of initial public offering in 2013, is to pay not less than 35% of the net consolidated distributable profit for the year to the Shareholders as dividend. The Board has no present intention to change the policy. However, the declaration and payment of dividends, as well as their amount, will be subject to the Board's discretion by considering a number of factors, including but not limited to:

- (i) the actual and expected financial performance of the Group;
- (ii) the retained earnings and distributable reserves of the Company;
- (iii) the liquidity positions of the Group;
- (iv) the future cash requirements and availability of the Group, including its expected working capital requirements, capital expenditure requirements and future expansion plans; and
- (v) any other factors that the Board may consider appropriate.

The Board will review the dividend policy on a regular basis.

CORPORATE GOVERNANCE REPORT

The Board confirms that all dividend decisions made by the Board were made in accordance with the Company's dividend policy.

In light of the Group incurring a loss for the Year, the Board does not recommend the payment of a final dividend for FY2025, consistent with last year's decision.

CONSTITUTIONAL DOCUMENTS

There was no change to the constitutional documents of the Company during the Year. The up-to-date consolidated version of the Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

Mr. Lai Chi Fung, the Company Secretary and an employee of the Group, has complied with the training requirement under rule 3.29 of the Listing Rules.

SHAREHOLDERS

Communications with Shareholders

The Board recognizes the importance of ongoing communication with Shareholders and investors and maintains dialogue with them through various channels. The formal communication channels between the Company and the Shareholders are corporate communications, which include announcements, circulars, press releases, interim reports and annual reports. All corporate communications are available on the Company's website.

Shareholders are encouraged to participate in the annual general meetings and other general meetings of the Company, which provide a useful forum for Shareholders to exchange views with the Board. The Directors and management of the Company are available to answer Shareholders' questions and to explain the procedures for demanding and conducting a poll, if necessary.

During the Year, the Company engaged with Shareholders at its annual general meeting held on 25 June 2025. Directors in attendance included the chairman of the Board, the CEO and the chairmen of the Board Committees. As no opinions or concerns were raised by the Shareholders during the meeting, no follow-up actions were required.

The Company recognizes the importance of strengthening dialogue and communication with Shareholders to encourage active participation in future engagements. It will continue to maintain open communication channels to foster better engagement and understanding.

Shareholders' Communication Policy

To promote and maintain an ongoing dialogue with Shareholders and the investment community, the Company adopts a Shareholders' communication policy, which aims at providing Shareholders with prompt and equal access to information about the Company in order to enable them to access the Company's overall performance, exercise their rights in an informed manner, and engage actively with the Company. Information about the Company's latest developments is communicated to Shareholders through the annual general meetings and other general meetings, if any, as well as periodic financial reports and all market announcements published on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

The Company has established several channels in communicate with Shareholders as follows:

- answering Shareholders' enquiries and requests
- providing corporate communication to facilitate Shareholders' understanding
- posting relevant information on the Company's website
- making appropriate arrangements for the general meetings to encourage and facilitate Shareholders' participation at the Shareholders' meetings and to answer Shareholders' questions

Having reviewed the implementation and effectiveness of the Shareholders' communication policy, including steps taken at the annual general meeting and the handling queries received, if any, during the Year, the Shareholders' communication policy was considered to be effective and adequate.

Shareholders' rights

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, pursuant to the Articles of Association, Shareholder(s) holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

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

All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the Listing Rules, and the poll voting results will be posted on the Company's website and the website of the Stock Exchange (www.hkexnews.hk) immediately after the relevant general meeting.

Shareholder's may, at any time, send their enquiries to the Board in writing to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary, or by completing the enquiry form as make available in the Company's website. The Company will not deal with verbal or anonymous enquiries.

Shareholders may refer to the Articles of Association made available on the websites of the Company and the Stock Exchange for further details of their rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STATEMENT OF THE BOARD

The Group is well aware of the importance of effective environmental, social and governance (ESG) initiatives at the operational level. In pursuit of industrial development, excellent product quality, and high-quality services, the Group's operations have incorporated the philosophy of environmental management and community contribution. The Group strives to enhance application of environmental technologies to its production, and places importance on collaboration with professional organizations and institutions at home and abroad, ensuring its business development complies with relevant regulations and requirements regarding environmental protection and sustainable development.

The Board is responsible for formulating, overseeing, and disclosing ESG-related measures and key performance indicators. The Board has established an ESG Management Group to handle the Group's daily ESG-related matters and to advance the Group's sustainable development. In business practice, the ESG Management Group abides relevant laws and regulations, establishes clear management objectives, continuously improves ESG-related risk management, monitors the environmental protection indicators of the Group's subsidiaries during production and operations, and regularly reports to the Board on ESG management objectives, plans, implementation status, and risk treatment. It takes timely measures for optimisation to facilitate the achievement of ESG management objectives and strives to ensure the accuracy and reliability of the information and data presented, thereby reflecting the Group's core values.

BASIS FOR PREPARATION

This report is prepared in accordance with the Environmental, Social and Governance Reporting Code set out in Appendix C2 of the Listing Rules and in strict compliance with the principles namely "materiality, quantitative, balance and consistency" required in the code. The section with regard to corporate governance is included in the Corporate Governance Report on pages 13 to 25 of this annual report. Data as disclosed in this report is derived from the in-house statistics and analysis of the Group. Save as disclosed, the statistical methods and key performance indicators used in this report remain consistent with those of last year.

REPORTING SCOPE AND BOUNDARY

The scope of this report covered the two wholly-owned subsidiaries which account for the majority of the Group's revenue: Shantou Xinda and Hongdong Treatment, whose principal businesses are Cigarette Packaging Business and Environmental Treatment Business respectively.

This report covered the management policies, strategies, quantitative standards, methods, assumptions, and calculations related to ESG of the Group for FY2025. Details are set out in the relevant part in this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Group continues to establish a diversified communication channel with stakeholders (including Shareholders, customers, employees, suppliers, regulators and the public) to safeguard their interests and ensure the achievement of long-term corporate development objectives closely relating to them.

The stakeholder groups, their expectations and their communication channels with the Company are as follows:

Stakeholder	Expectation	Contact and Communication
Shareholder	<ul style="list-style-type: none"> Effective management and operational model Sound internal financial management procedures Efficient operating cost and risk control capability Timely and accurate disclosure of important corporate information Sustainable and steady growth of corporate business Sustainable and steady growth of stock price and dividend 	<ul style="list-style-type: none"> General meeting Appointment of international-branded audit firms as the auditor of the Group Regular and timely announcement and report Disclosure of major investment (project) Publication and communication via corporate website
Employee	<ul style="list-style-type: none"> Stable work cycle Competitive salary Ambitious development platform High standard working environment Harmonious working atmosphere Comprehensive employee benefits Occupational health protection 	<ul style="list-style-type: none"> Employee representative meeting and conference Signing labour contracts and purchasing social insurance and commercial insurance for employees Paying housing provident fund for employees Targeted capacity training and development mechanism Provision of a safe and certified working environment Festival care and activities for employees Regular employee medical examination and provision of safety guidelines for work

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder	Expectation	Contact and Communication
Customer	Quality products and services Clear service standards Strict compliance with terms of contracts with customer Stringent customer rights protection	Entering into agreements with customers Maintaining good communication with customers Building a strict quality traceability mechanism Establishing corporate brand guarantee
Government and Regulatory Authorities	Local laws and regulations compliance Obliging supervision and inspection measures Timely reporting Paying taxes levied as required Corruption-free business behavior Bearing the social responsibility of a Hong Kong listed company	Compliance with laws and supervision Proactive payment of tax payables Proactively participating in relevant meetings and seminars
Supplier	Long-term and stable partnership Guaranteed stable payment Promoting industry development and communication	Supplier periodic assessment and data enhancement Establishment of a purchasing price inquiry and comparison system Development of a code of integrity cooperation Proactively participating in industry association related activities Collaboration with universities and advanced research institutions
Community and Public	Organizing and participating in community improvement activities Promoting long-term social development Charity	Tree-planting and emission reduction

After communicating with the stakeholders and based on an overall assessment of the relevance/importance to the Company, the following issues were identified as significant to the Group:

PART C: “COMPLY OR EXPLAIN” PROVISIONS

A. ENVIRONMENT

A1: Emissions

The Group is in strict compliance with relevant laws and regulations in relation to environmental protection and pollution control.

Wastewater discharge standards

- Standards for Discharge Limits of Water Pollutants (《水污染物排放限值標準》) (DB44/26-2001) in Guangdong Province

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Exhaust gas emission standards

- Emission Standard of Air Pollutants for Printing Industry (《印刷工業大氣污染物排放標準》) (GB41616-2022)
- Emission Standard of Volatile Organic Compounds for Printing Industry (《印刷行業揮發性有機化合物排放標準》) (DB44/815-2010, DB44/2367-2022)
- (Guangdong Province) Integrated Emission Standard of Volatile Organic Compounds for Stationary Pollution Source (《固定污染源揮發性有機物綜合排放標準》) (DB44/2367-2022)

Waste emission standards

- Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB 18597-2023)
- Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (《一般工業固體廢物貯存和填埋污染控制標準》) (GB 18599-2020)
- Technical Guidelines for Solid Waste Treatment and Disposal Engineering (《固體廢物處理處置工程技術導則》) (HJ 2035-2013)

Wastewater discharge policy

Shantou Xinda

1. There is no wastewater generated during the production. The wastewater is mainly domestic sewage, which is treated by sewage treatment facilities and then be discharged in compliance with the regulations.
2. Strengthen the daily maintenance of sewage treatment facilities to ensure that the indicators of domestic sewage after treatment meet the specified requirements.
3. Wastewater pipes and rainwater pipes are strictly separated, and discharge of wastewater into rainwater pipes is prohibited.
4. Waste oil, waste chemicals and other items that will cause material harm to the environment are not allowed to be poured into the sewers; instead, they must be properly stored in special containers and be collected by the qualified unit.
5. Supervisors of all departments shall strengthen the training of employees, and prohibit the discharge of waste and residue (such as various wastes, soil and garbage) into the sewers.
6. The equipment department shall clean the wastewater pipes and rainwater pipes once a year.

Hongdong Treatment

1. No large-scale industrial equipment is operated, and therefore no wastewater is generated during the production process.
2. The wastewater produced in the daily living is mainly kitchen wastewater, which is treated by the kitchen filtration equipment and then be discharged into the wastewater pipes.

Exhaust gas emission policy

Shantou Xinda

1. The equipment department is responsible for regularly maintaining and servicing equipment in workshops that emit larger quantities of exhaust gases and have a greater environmental impact. At the site, exhaust collection pipes are installed connecting to exhaust treatment facilities to ensure the exhaust emissions meet regulatory requirements.
2. The office is responsible for the annual review of all corporate vehicles to ensure compliance of exhaust gas emissions with regulatory requirements.
3. Third-party authorities are entrusted to conduct measurement with indicators of exhaust gas emissions once a year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hongdong Treatment

1. No large-scale industrial equipment is operated, and therefore no exhaust gas is generated during the production process.
2. Regular maintenances and annual review of all corporate vehicles shall be carried out to ensure compliance with exhaust gas emissions with regulatory requirements.

Waste emission policy

Shantou Xinda

1. Waste oil, waste chemicals and other items that will cause material harm to the environment must be properly stored in special containers and be collected by the qualified unit.
2. Waste papers, including printed waste papers, are recycled for reuse. General waste is store centrally, and collected and disposed of at regular intervals at designated locations by the park.

Hongdong Treatment

In daily operations, there is no emission of hazardous waste. Non-hazardous waste from daily activities is collected by cleaners at the end of each workday and send to designated locations for centralized recycling.

A1.1 Types of exhaust emissions and respective emissions data

Shantou Xinda

The production activities of Shantou Xinda do not directly generate exhaust gas emissions, but some of the production materials such as solvent will volatilize to produce benzene and volatile organic compounds (VOCs). At present, all the production workshops and production facilities of Shantou Xinda are equipped with exhaust gas collection and treatment devices for instantaneous pollution emissions collection to deal with source of pollution. The collected exhaust gas will be burned through rotary regenerative thermal oxidizer (RTO) waste treatment system, and will be discharged only after passing the inspection by a qualified organization and meeting the relevant environmental protection standards. Meanwhile, the Emergency Response Plan for Environmental Emergencies (《突發環境事件應急預案》) formulated by Shantou Xinda has passed expert's review and has been filed with relevant government departments. During the Year, the machinery involved in VOCs-related processes was in good production condition during third-party testing. The increased concentration of exhaust gas collected and the favourable combustion performance of the RTO unit enabled thorough combustion and decomposition of the exhaust gas within the furnace, resulting in lower test values compared to the previous year.

Types of exhaust	Local standards and limits in Guangdong Province ^(Note 1) (unit: emission concentration, mg/m ³)	Third-party inspection index in 2025 (unit: emission concentration, mg/m ³)	Third-party inspection index in 2024 (unit: emission concentration, mg/m ³)
VOCs	120	1.6	11.8
Benzene	1	0.01	0.47
Toluene and Xylene	15	0.01	0.051

Note:

1. Refer to Emission Standard of Volatile Organic Compounds for Printing Industry (《印刷行業揮發性有機化合物排放標準》) (DB44/815-2010) in Guangdong Province – Table 2 limit of average emission from printing in the second time period.

During the Year, the emission concentration of exhaust gas from Shantou Xinda remained within the statutory standard range.

Hongdong Treatment

Hongdong Treatment does not generate exhaust gas emissions during its operation and production.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.3 Hazardous waste discharge

Shantou Xinda

Due to a reduction in new product trials during the Year, the volume of waste ink residue correspondingly decreased. Concurrently, the replacement of some used lamps had generated waste lamps. Furthermore, in accordance with the current Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023), waste empty drums and waste rags, being discarded packaging, containers, and filter adsorption media that contain or are contaminated with toxic or infectious hazardous waste, are classified as hazardous waste. Consequently, waste empty drums and waste rags have been reclassified from non-hazardous waste to hazardous waste. The factory consolidates the aforementioned waste at designated locations, completes a “Hazardous Waste Transfer Manifest” for declaration, and engages qualified third parties to recycle these hazardous wastes.

Name of Hazardous Waste	2025 (tonne)	2024 (tonne)
Waste ink residue	1.050	3.761
Waste lamps	0.018	–
Waste empty drums	1.914	1.967
Waste rags	0.138	0.050
Total	3.120	5.778

Hongdong Treatment

It does not generate any hazardous solid waste during its daily operation.

A1.4 Non-hazardous waste discharge

Non-hazardous waste mainly consists of domestic waste, including kitchen food waste and daily office trash.

Unit	2025			2024		
	Shantou Xinda (tonne)	Hongdong Treatment (tonne)	Total (tonne)	Shantou Xinda (tonne)	Hongdong Treatment (tonne)	Total (tonne)
Non-hazardous domestic waste	18.52	5.32	23.84	19.44	5.87	25.31

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.5 Emission targets and corresponding steps to be taken

Exhaust gas emission

Emission targets: To ensure the emission concentration of exhaust gas is within the legal standard range in accordance with the data stipulated in the relevant laws and regulations.

Steps to be taken:

Shantou Xinda

1. The equipment department is responsible for conducting regular maintenance of equipment in workshops that emit a large amount of exhaust gas and have a significant environmental impact. It is required to install exhaust gas collection pipelines and exhaust gas treatment facilities on-site to ensure that emissions comply with regulatory requirements.
2. The office is responsible for conducting annual inspections on all corporate vehicles to ensure exhaust emissions meet regulatory requirements.
3. Engage a third party authority to conduct annual comprehensive testing on various indicators of exhaust gas emissions.

Hongdong Treatment

1. No large industrial equipment is in operation, and therefore there is no exhaust gas emission during the production process.
2. Conduct regular maintenance and annual inspections on all corporate vehicles to ensure exhaust emissions comply with regulatory requirements.

A1.6 Methods of handling wastes, wastes reduction targets and corresponding steps to be taken

Non-hazardous waste

They are mainly domestic waste, which are kitchen food waste and office waste. The domestic waste are put in designated places after sorted by employees, which will then be collected and centrally disposed of by property cleaning company each day, so as to keep the office environment clean and tidy.

Emission targets: To decrease the total amount of non-hazardous waste by 0.5% compared with last year.

Steps to be taken: To strictly implement the company's Energy-saving Resource Control Procedures《節能資源控制程式》, to encourage the recycling of waste materials and to make the best use of them.

Hazardous waste

Hazardous waste is centrally stored in the hazardous waste warehouse, managed in accordance with the Hazardous Waste Management Policy《危險廢棄物管理制度》, and centrally handled by qualified recycling institutions entrusted by the company.

Shantou Xinda

Emission targets: To decrease emissions per unit of output by 0.5% compared with last year.

Steps to be taken: To strengthen the management and control of materials utilization, the production department to control the consumption of materials within the budget or quota, and to strengthen the supervision of materials utilization.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2: Use of resources

Resources policy:

Electricity saving measures

1. During machine overhaul, electric heat source, power source and gas source shall be shut off.
2. During non-production period, power supply, gas source and power of exhaust system of machines shall be cut off.
3. Recommend not to turn on the air conditioners when the forecasted maximum temperature is below 28°C. Do not turn on the air conditioners when there is nobody in the office during office hours everyday, and do not open windows when the air conditioners are turning on.
4. The office strictly implements the central air conditioning operating regulations, and air conditioning temperature shall be set above 26°C in summer. The air conditioning system shall be turned off 30 minutes before going off duty in the evening.
5. When the weather is sunny and there is adequate sunlight, indoor lighting shall be turned off to make full use of natural light. Do not turn on the lighting when there is nobody in the office, and turn off the lighting when going off duty. If there is no staff working overtime during lunch break, the indoor lighting shall be turned off.
6. Energy saving system is installed for elevators. No passengers are allowed in the elevators of the factory except for the guests accompanied by the leaders of the company. When there is no production in the workshops at night or during holidays, the power of elevators shall be shut off by security guards.
7. Energy saving modes are applied to office equipment. Power management of office equipment, such as computers, printers, copiers, fax machines and shredders, are strengthened by reducing standby power consumption, which shall only be turned on while using and shall be turned off after using and before going off duty.
8. The river treatment equipment shall be turned on at regular intervals strictly according to business needs and shut down at non-essential times to reduce standby energy consumption.

Water consumption reduction measures

1. Production materials are reviewed annually based on various indicators to reduce consumption.
2. The use of water-saving appliances is actively promoted. During washing, water flow shall be properly controlled and taps shall be turned off readily. Leakage shall be timely reported for repairing.
3. Taking advantage of the rainy climate in southern China, rainwater is collected through the park's landscape pool and filtered to be used as circulating cooling water for the equipment. At the same time, it is also used for fire-protection water replenishment and daily irrigation water. Use of tap water shall be minimized.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental protection policy

1. Waste material management
 - (1) Recyclable or reusable waste materials: Collected by designated personnel of the company, stored in designated places, and disposed of and sold in a centralized manner.
 - (2) Non-recyclable waste materials: Those will pollute the environment shall be placed in designated places, and disposed of in a centralized manner by dedicated personnel.
2. Other
 - (1) When purchasing materials, apparatus and office equipment, priority is given to energy-saving equipment or products with low energy consumption and national certification, and high-energy consumption equipment or products that are prohibited by the nation are eliminated.
 - (2) Digitalized office is vigorously promoted. Whenever possible, documents shall be revised on electronic media and information shall be transmitted via Internet, so as to reduce consumption of paper and enable paperless office. Papers shall be used on both sides. Give priority to the reuse of used envelopes and copy paper. Double-sided printing shall be adopted whenever possible. Ink and toners of printers, copiers and all-in-one machines shall be refilled after being used up, to improve reuse rate.
 - (3) Encourages employees to eliminate disposable tableware and reuse recyclable cups and cutlery with disinfection measures in place.
 - (4) Some of the reusable delivery containers and packaging materials are recycled and reused by employees. Traditional glues are replaced with benzene-free glues which are more environmentally friendly.
 - (5) Taking advantage of rainy climate in southern China, Shantou Xinda collected and filtered rainwater for fire-protection water replenishment and daily irrigation. Hongdong Treatment advocated civilized construction, and minimise the impact on environment in the course of construction.
 - (6) Company delegates its duties of energy conservation and consumption reduction to various departments and positions and conducts corresponding cost reduction assessment and annual evaluation.
 - (7) Various means are used to spread knowledge of energy conservation and consumption reduction, cultivate all employees' awareness of resource concerns and good habits of diligence and thrifty, and create a sound atmosphere of "conservation by everyone for everything everywhere".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2.1 Total energy consumption and intensity

Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity:

Type of Energy	Unit	Intensity	2025			2024		Total
			Shantou Xinda	Hongdong Treatment	Total	Shantou Xinda	Hongdong Treatment	
Electricity	Degree/kW		3,453,680.00	76,372.60	3,530,052.60	2,948,320.00	91,053.00	3,039,373.00
Liquified Petroleum Gas (LPG)	Kilogram	580 kg/m ³	84.00	-	84.00	112.00	-	112.00
Natural gas	m ³	0.7174 kg/m ³	23,052.00	-	23,052.00	26,836.00	-	26,836.00
Gasoline	Litre	0.7 g/cm ³	8,723.72	8,812.31	17,536.03	8,223.49	10,892.95	19,116.44
Diesel	Litre	0.8 g/cm ³	1,200.00	5,874.88	7,074.88	1,200.00	7,261.60	8,461.60

Shantou Xinda

During the Year, electricity consumption increased compared to last year due to higher production capacity. Additionally, as VOCs-related processes operated simultaneously, the concentration of exhaust gas collected through the ducts increased, which reduced the volume of natural gas needed for supplementary combustion in the RTO unit, leading to a decrease in natural gas usage compared to the previous year.

Hongdong Treatment

Due to the completion and handover of certain projects and adjustments to the operating hours of electrical equipment as requested by project owners, electricity consumption decreased compared to last year. Furthermore, with a lower frequency of business travel than in the previous year, the consumption of both petrol and diesel decreased during the Year compared to last year.

A2.2 Total water consumption and intensity

Unit	2025			2024		Total	
	Shantou Xinda	Hongdong Treatment	Total	Shantou Xinda	Hongdong Treatment		
Total water consumption	Tonne	17,536.00	1,795.00	21,045.00	21,530.00	2,254.00	23,784.00

Shantou Xinda

During the Year, Shantou Xinda increased its utilisation of pond water for landscaping within the production area, thereby reducing the proportion of tap water used for irrigation. This led to a decrease in tap water consumption compared to the previous year.

Hongdong Treatment

Owing to the completion and handover of projects, water consumption decreased correspondingly during the Year compared to last year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2.3 Energy use efficiency targets and corresponding steps to be taken

Energy use efficiency targets: Energy saving, reducing power consumption.

Steps to be taken: To fully use LED, to adjust the automatic opening and closing time of factory lighting according to the sunshine duration and control the air conditioner's temperature at 26°C during summer to save daily electricity consumption.

A2.4 Issues on sourcing water, water efficiency targets and corresponding steps to be taken

Shantou Xinda

There are no issues related to sourcing water.

Water efficiency targets: To reduce water consumption for the purpose of enhancing water efficiency.

Steps to be taken: To implement measures such as collecting rainwater for irrigating greenery of the company, to promote the concept and culture of water conservation through practical actions and to encourage employees to save water.

Hongdong Treatment

There are no issues related to sourcing water.

Water efficiency targets: To reduce water consumption for the purpose of enhancing water efficiency.

Steps to be taken: To encourage saving water among employees by promoting the concept and culture of water conservation.

A2.5 Total packaging materials used for finished goods

Shantou Xinda

The packaging materials mainly adopted by Shantou Xinda were recyclable trays/cardboard, film, aluminium foil scraps and base paper. During the Year, the total volume of packaging materials used for finished products amounted to approximately 57.3 tonnes (2024: approximately 54.6 tonnes).

Hongdong Treatment

Hongdong Treatment is primarily engaged in construction services, and therefore no packaging materials for finished goods are involved.

A3: Environment and natural resources

For policies to reduce significant impacts on the environment and natural resources, please see the policies and measures adopted in A1: Emissions and A2: Use of resources.

A3.1 Significant impacts of business activities on environment and natural resources and the actions taken to manage them

The business activities of Shantou Xinda and Hongdong Treatment have no significant impact on environment and natural resources.

B. SOCIAL

Employment and Labour Practices

The Group understands that employees are the cornerstone and important assets of the Group, and also a key element in building a sustainable business model and creating long-term returns. Therefore, the Group values and safeguards the legitimate rights of employees, provides employees with good career development opportunities, pays attention to their health and safety, and expresses care and concern to them, striving to create a comfortable and satisfactory working environment for its employees, with the goal of achieving mutual growth between employees and the enterprise.

B1: Employment

Recruitment and training

1. The Group conducts recruitment in an open and fair manner and in compliance with laws and regulations. By considering the applicants' education, experience, skills, qualifications and the requirements of the Group, we aim to introduce talents that align with our continuous pursuit of innovation and evolution goals.
2. The Group is committed to developing a fair working environment. In order to provide equal opportunities of promotion to each employee, the Group has a series of assessment procedures in place to assess employee performance in a more objective and comprehensive manner before determining the candidates for promotion. The Group opposes any form of discrimination, and will not allow the disability status of an applicant to affect hiring and promotion decisions, ensuring that individuals with disabilities also have the opportunity to work and advance in their careers normally.
3. The Group has been in compliance with the requirements under the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Employment Ordinance (《僱傭條例》) of Hong Kong. Where any employee fails to perform his/her current position, such employee will undergo training or be redesignated to a different role. In case such an employee still cannot fulfill the job requirements, the Group will terminate the labour relationship in accordance with relevant laws and regulations.
4. The Group arranges various social insurance, such as pension insurance, medical insurance, work injury insurance and unemployment insurance, for its employees in accordance with government regulations.

Remuneration

1. The employees of the Group come from various provinces across China. Under the compensation principle of gender equality and equal pay for equal work, any form of geographical or gender discrimination will be rejected. The Group is committed to providing opportunities and platforms for every employee to tap into their potential, while their salary will be based on their professional knowledge, skills and specific job performance.
2. The Group adjusts its remuneration package with reference to the overall performance of the Group and market conditions to motivate employees to forge ahead.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee benefits

In accordance with the laws and regulations of the Chinese Mainland and Hong Kong and in combination with its actual situation, the Group has formulated a welfare system for all employees, mainly including:

1. Social insurance (e.g. pension insurance, medical insurance and work injury insurance) or Mandatory Provident Fund contributions for employees;
2. Commercial accident insurance for employees engaged in frontline operation;
3. Corresponding bonuses and incentives based on corporate performance;
4. Holiday gifts and year-end prizes for employees based on corporate performance;
5. Necessary heatstroke prevention medicines and cooling drinks for employees;
6. Unscheduled employee group activities;
7. Regular medical examination for employees of special work types;
8. Necessary work uniforms for employees;
9. Meals and accommodations or corresponding allowances for employees stationed at factories or project departments;
10. Improving the conditions of food and accommodation, working environment and welfare package for employees according to the actual situation of the enterprise.

Hongdong Treatment

Hongdong Treatment promulgated the Human Resource Management System (《人力資源管理制度》) and the Staff Handbook (《員工手冊》) to clarify the relevant regulations that employees should abide by, such as recruitment, promotion, attendance, integrity, rewards and punishments, and code of conduct.

B1.1 Total number of employees

Shantou Xinda

During the Year, all of the employees of Shantou Xinda are stationed in the Chinese Mainland. As at 31 December 2025, Shantou Xinda had 208 (31 December 2024: 213) full-time employees in service, and the age group and gender distribution are set out as follows:

Age group	2025			2024		
	Number	Percentage	Gender	Number	Percentage	Gender
≤25	-	0.00	Male	147	70.67	Male
26-35	27	12.98	Female	61	29.33	Female
36-45	76	36.54				
46-55	75	36.06				
≥56	30	14.42				
Total	208	100.00		208	100.00	

Age group	2024		
	Number	Percentage	Gender
≤25	1	0.47	Male
26-35	32	15.02	Female
36-45	79	37.09	
46-55	70	32.86	
≥56	31	14.55	
Total	213	100.00	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hongdong Treatment

During the Year, all of the employees of Hongdong Treatment are stationed in the Chinese Mainland. As at 31 December 2025, Hongdong Treatment had 30 (31 December 2024: 37) full-time employees in service, and the age group and gender distribution are set out as follows:

2025						2024					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	-	0.00	Male	24	83.33	≤25	-	0.00	Male	29	78.38
26-35	9	30.00	Female	6	16.67	26-35	13	35.13	Female	8	21.62
36-45	9	30.00				36-45	10	27.03			
46-55	7	23.33				46-55	10	27.03			
≥56	5	16.67				≥56	4	10.81			
Total	30	100.00		30	100.00		37	100.00		37	100.00

B1.2 Employee turnover rate

Shantou Xinda

During the Year, Shantou Xinda had a total of 13 (2024: 12) employees who resigned, all of whom are stationed in the Chinese Mainland, and the age group and gender distribution are set out as follows:

2025						2024					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	-	0.00	Male	8	61.54	≤25	1	8.33	Male	5	41.67
26-35	2	15.38	Female	5	38.46	26-35	-	0.00	Female	7	58.33
36-45	3	23.08				36-45	3	25.00			
46-55	4	30.77				46-55	5	41.67			
≥56	4	30.77				≥56	3	25.00			
Total	13	100.00		13	100.00		12	100.00		12	100.00

Hongdong Treatment

During the Year, Hongdong Treatment had a total of 9 (2024: 23) employees who resigned, all of whom are stationed in the Chinese Mainland, and the age group and gender distribution are set out as follows:

2025						2024					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	-	0.00	Male	6	66.67	≤25	-	0.00	Male	18	78.26
26-35	3	33.33	Female	3	33.33	26-35	15	65.21	Female	5	21.74
36-45	4	44.45				36-45	4	17.39			
46-55	2	22.22				46-55	2	8.70			
≥56	-	0.00				≥56	2	8.70			
Total	9	100.00		9	100.00		23	100.00		23	100.00

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B2: Health and safety

The Group attaches great importance to the physical and mental health of its employees and production safety, and has been committed to maintaining and improving the relevant standards and management level of the enterprise. The Group has set up a comprehensive occupational health and safety management system covering policy formulation, program planning, specific implementation and operation, inspection, correction and rectification, evaluation and management of program implementation results and continuous improvement. Specific measures include:

1. Continuously improving and optimizing the working and production environment, and appropriately allocating funds for labour protection equipment for safe production;
2. Regularly holding safety production training every year to enhance employees' occupational health and safety mindset;
3. Strengthening the regular inspection and maintenance of mechanical equipment to ensure the safe operation of mechanical facilities;
4. Strictly controlling the employment management of special operation personnel by verifying the corresponding skill certificates and qualification certificates for the job, and ensuring that special operations are conducted strictly in accordance with the relevant operational standards of the local governments;
5. Setting up a healthcare cabinet to supply routine emergency medicines, heatstroke prevention and cooling health care products, and protect employees' health as much as possible;
6. Regularly arranging necessary occupational medical examinations for employees to ensure their health, and effectively prevent and control the emergence of occupational diseases.

Shantou Xinda and Hongdong Treatment have both passed the Occupational Health and Safety Management System Certification (GB/T45001-2020/ISO45001:2018).

Shantou Xinda and Hongdong Treatment strictly abide by national and local laws, regulations and practices, including the Occupational Disease Prevention and Control Law of the People's Republic of China (《中華人民共和國職業病防治法》), Environmental and Occupational Health and Safety Operation Control Procedures (《環境和職業健康安全運行控制程序》), Environmental and Occupational Health and Safety Monitoring and Measurement Procedures (《環境和職業健康安全監視和測量程序》) and Environmental and Occupational Health and Safety Measurement and Control Procedures (《環境和職業健康安全測量控制程序》).

B2.1 Number and rate of work-related fatalities occurred in the past three years

There were no work-related deaths of employees of Shantou Xinda and Hongdong Treatment in the past three years (including this Year), and the rate of work-related deaths in the past three years was zero.

B2.2 Lost workdays due to work injury

During the Year, there were no work-related injuries at Shantou Xinda and Hongdong Treatment and the number of workdays lost due to work-related injuries was nil (2024: Nil).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2.3 Occupational health and safety measures adopted, and the related implementation and monitoring methods

Employees' health

1. A compliance team of the company has been set up to take charge of occupational safety monitoring and measurement. Each department of the company is responsible for assisting the monitoring and measurement work of the compliance team.
2. For special operation personnel, the company conducts occupational health examination for employees regularly, and arranges timely for transfers if adverse health conditions are found in examinations. When an occupational disease is found, specialized treatment will be provided to the patient in accordance with the requirements of the Occupational Disease Management Ordinance until recovery, and consideration is given to whether to transfer the employee from his/her original position according to the actual situation.
3. The compliance team monitors and measures occupational health and safety parameters based on relevant documents. Items to be measured include: motor vehicle noise measurement and production equipment noise measurement, and the measuring results shall be archived in the prescribed form.
4. The company monitors the operation of occupational health and safety. Each department of the company takes regular inspection on its respective occupational health and safety operation control to ensure the operation of the departments conforms to the requirements of relevant procedures and basic documents. The compliance team conducts random supervision and inspection of the operation control of each department. The results of inspection are recorded in the "Occupational Health and Safety Operation Inspection Record Form".
5. The compliance team analyses the historical evidence of accidents, diseases, incidents and other adverse occupational health and safety performance, and takes corrective and preventive measures based on the conclusions of analysis.

Employees' safety

1. The production workshops are of a rational layout and kept clean and tidy. Protective equipment must be provided for operations that are harmful to employees' health. In dangerous working places such as those under high temperature or humidity, effective protective measures must be taken correspondingly.
2. All kinds of equipment shall not operate under overload or malfunction conditions, and shall be used correctly, maintained frequently, and overhauled regularly. Obsolete equipment that does not meet safety requirements shall be replaced on a planned basis.
3. Electrical equipment and circuits shall conform to relevant safety requirements. Electric equipment shall be equipped with fusible safety devices and leakage protection, with excellent insulation performance and reliable protection measures.
4. The transportation, storage, use, and disposal of flammable and explosive materials must have fire prevention and explosion-proof signs, and safety operation regulations must be strictly implemented.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Employees shall undergo training before taking up their jobs, and strengthen their work skills and quality and awareness of environment, occupational health and safety through on-the-job training. For those involved in special types of work, they must possess required work permits and undergo regular safety training and education.
6. The compliance team regularly arranges environmental and safety inspections, with the specific methods implemented in accordance with the Environmental and Occupational Health and Safety Measurement and Control Procedures (《環境和職業健康安全測量控制程序》).
7. Employees practice mutual tutelage and supervision, identify problems and risks in time, and put forward suggestions for improvement.

B3: Development and training

Training management

1. The company has formulated corresponding responsibilities and requirements of each position and regards these as the criteria for evaluation of employees.
2. A system related to training management has been established, pursuant to which the training works can be arranged properly.
3. The training department is required to fill in the Training Implementation Record Form after the training and submit the same to the office in time for filing.
4. After going out for training, participants are required to write a report of the training experience, and submit it together with relevant training materials to the office for filing.
5. Quality education or professional theoretical training shall be received from time to time outside or inside the company.
6. New employees must be trained (collectively or individually as entourage) before duty commence.
7. Employees who have moved to different positions shall undergo new job training and pass the examination before duty commence.
8. The company's employees have the right to participate in training, as well as the obligation to receive training and train others. In addition to requiring employees to actively and cooperatively participate in various trainings organized by the company and all departments, the company advocates and encourages employees to carry out autonomous learning in improving professional knowledge, skills and comprehensive quality.

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B3.1/B3.2 The percentage/average training hours of employees trained by gender and employee category

During the Year, Shantou Xinda and Hongdong Treatment established a series of high quality courses of skills training for employees at all levels to ensure that the enterprises are at the forefront of the industry in all aspects of management, production, safe operation and quality control.

Shantou Xinda

During the Year, Shantou Xinda provided a total of 606 (2024: 422) employee attendances in training, with a total training duration of 30 hours (2024: 30 hours).

Employee category	2025					2024					
	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)	Employee category	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)
Senior Management	0.50	4.00	Male	69.80	2.01	Senior Management	3.08	2.46	Male	69.67	2.02
Middle Management	32.84	2.02	Female	30.20	2.12	Middle Management	33.41	2.01	Female	30.33	2.16
Other Staff	66.66	2.05				Other Staff	63.51	2.07			
Total	100.00			100.00		Total	100.00			100.00	

During the Year, details of staff training activities in Shantou Xinda are set out below:

Month	Training Program	Duration	Number of Participant
January	Occupational Health and Safety Training	2	123
February	Training on Newly Awarded China Tobacco Products	2	67
March	Training on Precursor Chemicals Knowledge	2	3
April	Training on Explosive Hazardous Chemicals Knowledge	2	3
May	Training on Safe Production Operation of Material Factory Machinery	2	70
June	Fire Drill	2	130
July	Tipping Paper Factory Key Job Professional Skills Training	2	61
August	Training for New Employees	2	5
	Tipping Paper Factory Machine Safety Operation Training	2	61
September	Quality Management Job Training	4	10
October	Quality Control Training for The Production Processing the Tipping Paper Factory	2	64
November	Equipment Management Training	2	5
December	Internal Auditor Training	4	4

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Hongdong Treatment

During the Year, Hongdong Treatment provided a total of 44 (2024: 40) employee attendances in training, with a total training duration of 154 hours (2024: 131 hours).

Employee category	2025					2024					
	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)	
Senior Management	9.09	2.00	Male	75.00	13.94	Senior Management	17.50	0.86	Male	72.50	8.31
Middle Management	31.82	20.71	Female	25.00	17.82	Middle Management	42.50	11.29	Female	27.50	16.81
Other Staff	59.09	13.77				Other Staff	40.00	14.25			
Total	100.00			100.00		Total	100.00			100.00	

During the Year, details of staff training activities in Hongdong Treatment are set out below:

Month	Training Program	Duration	Number of Participant
March	Training on Fire Safety Knowledge	2	8
April	Training on River Maintenance Skills	2	4
June	Quality Management Training	2	6
August	Training on Fire Safety Knowledge	2	8
September	Continuing Education and Training for Construction Engineers	60	2
November	Continuing Education for Safety Officers	24	10
	Continuing Education and Training for Accountants	60	4
December	Internal Auditor Training	2	2

B4: Labour standards

The Group strictly complies with the Labour Law (《勞動法》), Labour Contract Law (《勞動合同法》), Law on the Protection of Minors (《未成年人保護法》), Law on the Protection of Rights and Interests of Women (《婦女權益保護法》) and other relevant laws and regulations, and formulates relevant internal rules and regulations to protect the legitimate rights and interests of employees.

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B4.1 Measures to review employment practices to avoid child and forced labour

The Group strictly complies with the Provisions on Prohibition of Child Labour (《禁止使用童工規定》) of the People's Republic of China and other laws and regulations relating to labour standards. Background check was conducted for every new employee during the recruitment process to ensure compliance with laws and regulations in the Chinese Mainland and Hong Kong and prevent the inadvertent recruitment of children.

1. During the recruitment process, strictly examines the information of the applicants to ensure compliance with relevant laws and regulations and to avoid the misrecruitment of child labour.
2. During the recruitment process, strictly prohibits the use of coercion, threat, or deception to force applicants to sign involuntary contracts.
3. During the recruitment process, strictly prohibits withholding the applicant's documents and information.
4. During the recruitment process, strictly prohibits charging any recruitment fees from applicants.
5. During the working process, strictly prohibits making unlawful requests for work by means of deliberately creating difficulties, threatening, coercing, or physically punishing the applicant.
6. Tries the best to ensure that monthly wages are paid in full and on time to the employees, and the expenses incurred by the employees on official business are reimbursed as soon as possible.

During the Year, there were no material violations of laws and regulations relating to child and forced labour (2024: Nil).

B4.2 Steps taken to eliminate such practices when discovered

During the Year, there were no violations of child and forced labour (2024: Nil). If such a violation is found, the company will immediately organize manpower to conduct verification, properly deal with the relevant personnel, and strictly prevent the recurrence of such situation.

OPERATING PRACTICES

B5: Supply chain management

The Group stresses the importance to the mutually beneficial and long-term friendly partnership with suppliers. By designing a survey and assessment system for suppliers' admission, a list of qualified suppliers is established, and regular assessments on suppliers in terms of their supply capacity, product quality, service and integrity etc. is performed to ensure product quality. Suppliers shall be selected based on criterias such as product quality, pricing and delivery time, and priority will be given to suppliers with stable relationship. Furthermore, a standby supplier list of qualified suppliers is established for comparison of price, product quality and other aspects and preparedness for emergency procurement and supply.

B5.1 Number of suppliers

The breakdown of the main suppliers of Shantou Xinda and Hongdong Treatment are as follows:

Region	2025		2024	
	Shantou Xinda (supplier)	Hongdong Treatment (supplier)	Shantou Xinda (supplier)	Hongdong Treatment (supplier)
Guangdong	9	4	9	8
Zhejiang	4	-	4	-
Shanghai	3	-	3	-
Jiangsu	5	-	5	-
Heilongjiang	1	-	1	-
Shaanxi	1	-	1	-
Shandong	-	1	-	-

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B5.2 Management and monitoring of suppliers

Processes for supplier selection:

1. Assess suppliers' basic information, relevant qualification, business license, operation conditions and such other information;
2. Assess whether the standards of the raw material, products or services provided by the suppliers meet the purchase requirements of the company;
3. Review supplier's production qualification certificate, third party's quality inspection report, transportation permit and other related documents;
4. Evaluate suppliers' delivery time, payment terms, product/service prices, delivery cycle and other aspects;
5. Select three or more suppliers for comparison, if possible, and choose the best.

Review of suppliers:

All major suppliers of the Group have met the supplier selection criteria. They have been included in the Qualified Supplier List (《合格供應商名單》) and are subject to annual supervision and review by the Group. The content of the review includes, but is not limited to, whether the basic corporate information, product information, production technology and equipment information, service quality continue to meet the requirements as a qualified supplier of the Group. The supplier will be graded by the procurement department in conjunction with the user department as A (80-100 points), B (60-79 points) and C (0-59 points) during the review. Suppliers with a rating of A will be included in the Qualified Supplier List or be able to maintain their qualified supplier rating. For issues identified during the review, the review team will notify the relevant supplier in writing for rectification and make record accordingly, and if necessary, downgrade the supplier. If the supplier passes the review after rectification, the original rating will be maintained. If the same problem occurs 3 times in total in a year, the supplier will be deemed as unqualified supplier.

During the Year, all the major suppliers of the Group (2024: all) passed the review successfully.

B5.3 Practices used to identify environmental and social risks along the supply chain, and related implementation and monitoring methods

1. When selecting suppliers, priority is given to suppliers who have obtained certification under the Environmental Quality Standards System;
2. When selecting suppliers, Shantou Xinda will conduct factory inspections where available to ensure their production environment meets the requirements of relevant safety and other standards;
3. In the subcontracting of labour services, Hongdong Treatment gives priority to suppliers with labour dispatch qualifications, and requires labour units to submit workers' information, purchase accident insurance for workers, provide necessary protective equipment, prohibit the use of child labour, forbid work in poor environmental condition and forbid overtime work, and carries out regular inspections.

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B5.4 Practices used to promote environmentally preferable products when selecting suppliers, and related implementation and monitoring methods

1. In day-to-day communications with suppliers, online communication shall be used and electronic signatures shall be adopted, if possible, to avoid additional transport emissions and paper waste;
2. Require suppliers to actively carry out green and environmental protection activities in both their procurement and production environments, and conduct inspections regularly;
3. In the selection of suppliers, suppliers are explicitly required to comply with relevant national laws, regulations and standards in the production, obtain the production certificates for their products, and possess the approval certificates and performance test reports issued by third-party quality inspection agencies to review whether their products fulfill the environmental protection requirements. Especially for hazardous chemicals, on top of the production certificates, product transport certificates are also required;
4. Shantou Xinda reuses the raw materials and product packages from supplier transactions as much as possible in order to reduce packaging consumption. In addition, agreements with suppliers are reached to recover packaging or defective products, in order to avoid waste of raw materials.

B6: Product responsibility

Shantou Xinda

Being an enterprise with a strong sense of brand honour and corporate social responsibility, Shantou Xinda obtained the GB/T19001-2016/ISO9001:2015 certifications for its quality management system. Internal control standards in line with national standards have been formulated for the products delivered by the company, and the products are regularly tested by qualified testing institutions. All production operators need to undergo technical training to master the technical requirements of the process, and operate only after they are qualified. During the production process, all production process control regulations shall be strictly implemented, including Process Control Procedure (《過程控制程序》), Product Identification and Product Traceability Control Procedure (《產品標識和產品可追溯性控制程序》), Control Process of Unqualified Product (《不合格品控制程序》), Raw Material, Semi-finished Products, Finished Products Protection Control Procedure (《原材料、半成品、成品防護控制程序》), Corrective and Preventive Action Control Procedure (《糾正和預防措施控制程序》), etc. In addition, subject to a well-established system designed for product batches traceability, every product can be traced to every stage of the whole production process to ensure the quality of the delivered goods. With reference to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the company's product quality is fully guaranteed from procurement of raw materials, production process to final product inspection and warehousing logistics. With regard to product quality assurance, the company always maintains the pursuit and enhancement of better, more comprehensive and more advanced technologies and methods. QR code technique has been adopted for traceability management of some of our products, which further improved the company's quality monitoring system. At the same time, the company is updating its online monitoring system to better control the quality of its products during the production process.

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Hongdong Treatment

Its main business is to provide customers water environment restoration and treatment and integrated management services, and operation and management services of urban wastewater treatment facilities, obtained the GB/T 19001-2016/ISO9001:2015 and GB/T 50430-2017 certifications for its quality management system. After winning the bidding of the project, the company enters into a project contract and a safety production agreement with the owner, specifying the quality standards and warranty coverage of the project, and strictly followed the standards in the contract. The staff of the project team shall go through three levels of safety training before entering the site, and they can only enter the site after the corresponding operational training. During the production process, the design and construction are carried out in strict accordance with the national engineering standards and norms, and at the same time, the company's internal procedures such as Control Procedures on Unqualified Products (《不合格品控制程序》), Correction and Prevention Control Procedures (《纠正和預防控制程序》), Engineering Requirements Assessment Control Procedures (《工程要求評審控制程序》) are implemented. During the period when the project yet to be completed and accepted, the company actively responds to the owner's suggestions for optimization, adjustment and correction within the scope of the contract, and properly implements the on-site protection of the constructed works, so as to ensure the project meets the standards of completion and acceptance. During the period of operation and maintenance of the project, the staff responsible for the operation and maintenance will carry out daily inspections on the projects under their charge, and carry out timely rectification when problems are found, so as to ensure the service quality of the projects under operation and maintenance meets the requirements of the customers.

B6.1 Percentage of the product subject to recalls for safety and health reasons

Shantou Xinda

During the Year, there was no sold or delivered products subject to recalls for safety and health reasons (2024: Nil).

B6.2 Number of products and services related complaints received from enterprise production quality verification process and product return and responses thereof

During the Year, the Group had no complaints regarding its products and services (2024: Nil).

Responses: Once a complaint is received, the relevant companies will organize manpower to investigate the situation immediately, and will go to the site in the first time and organize manpower to implement the inspection records, actively communicate and coordinate with the parties concerned to solve the problem, and take the corresponding measures.

B6.3 Practices relating to maintaining and protecting intellectual property rights

In order to protect the intellectual property rights of the Group, we have built various internal management systems such as the transformation of scientific and technological achievements and rewards for intellectual property rights, which has improved employees' awareness of innovation and provided a platform and guarantee for employees' research and development and intellectual achievements. In accordance with relevant laws and regulations of intellectual property rights, the Group actively applies for patents for the established intellectual achievements to ensure the core technologies of the Group are protected by law and enhance its competitiveness in the market. As of 31 December 2025, a total of 57 patents (31 December 2024: 50 patents) were granted to Shantou Xinda and 37 patents (31 December 2024: 37 patents) were granted to Hongdong Treatment.

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B6.4 Production quality verification and product return process

Shantou Xinda

1. Products quality is monitored in the whole process of production, with ensuring real-time quality monitoring, raw materials, processing products, finished products are inspected in strict accordance with the Inspection Procedures (《檢驗規程》).
2. The quality control department is responsible for investigating complaints regarding quality problems, analysing the cause, formulating rectification plans, and tracking and giving feedback on the effectiveness of prevention. The quality control department will firstly investigate the cause of the complaint and trace the customer's goods, and fill in the Customer Complaint Handling Report (《顧客投訴處理報告》) after the incident is properly handled.
3. The marketing department is responsible for investigating, handling and rectifications feedback on customer complaints regarding after-sale services and product delivery. The marketing department is responsible for replying customers with the Customer Complaint Handling Report (《顧客投訴處理報告》) and forwarding the report to the relevant departments.
4. The technical centre is responsible for handling customer complaints regarding quality in collaboration with the quality management department, making improvements to technical issues, and giving feedback on the causes.
5. Products that have been approved to return are temporarily placed in a designated area after being returned, marked and isolated by the production workshops, which will notify the quality control department for re-inspection.

B6.5 Consumer data protection and privacy policy and related implementation and monitoring methods

1. Customer data is under unified management by the office for establishing customer data ledger.
2. Without approval, customer data shall not be copied or disseminated, taken away from the working area, or disclosed to third parties by any means.
3. In external communication and cooperation, the use of customer data by employees shall be subject to the review and approval of the department manager.
4. When an employee is redesignated from his/her current position or resigns, he/she shall return all customer data to the company without any backup.

B7: Anti-corruption (prevention of bribery, extortion, fraud and money laundering)

All employees of the Group must have an in-depth understanding of bribery, extortion, fraud, corruption and related behavior and consequences. In order to address and reduce the risk of corruption, the Group has formulated a set of guidelines in connection with offer and receipt of gifts, provision of meals, accommodation and entertainment, and engagement with government officials, whereby stating permitted and prohibited actions of our employees in their daily business activities. This ensures every employee is obliged to comply with applicable laws and regulations and to make ethical business decisions. To ensure all business transactions with government officials are conducted in a lawful and compliant manner, the Group has signed an integrity agreement with each employee, and violators will be dealt with severely.

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B7.1 Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the Year and the outcomes of the cases

During the Year, there were no lawsuits against the Group in relation to corruption (2024: Nil). The Group will continuously strive to achieve the target of no corruption complaints and no corruption litigations for each year.

B7.2 Preventive measures and whistle-blowing procedures and related implementation and monitoring methods

1. Formulate and promulgate Anti-fraud Policies and Procedures (《反舞弊政策和流程》) and set up anti-fraud mailbox and special line.
2. Enter into the Integrity Commitment and Staff Handbook with newly recruited employees. The whistle-blowing procedures are a reporting system, all employees have the right and obligation to report to their superior any corruption within the Group. The office is responsible for the execution and supervision of the matter.

B7.3 Anti-corruption training provided to Directors and staff

In order to reduce the risk of corruption, the company specified the corresponding code of conduct and integrity requirements in the Staff Handbook (《員工手冊》), formulated corresponding guidelines on accepting & receiving gifts and engaging with suppliers, clarifying acceptable and unacceptable behaviors of the employees in life and work and the corresponding consequences, which ensures that every employee is obliged to comply with applicable laws and regulations and to make ethical business decisions, and also deepens their understanding in misconducts such as bribery, extortion, fraud and corruption and the relevant consequences.

COMMUNITY

B8 : Community investment

The Group remains committed to community activities during its development, while encouraging its employees to actively participate in various volunteer and charitable activities.

B8.1/B8.2 Focus areas of contribution and resources contributed

Hongdong Treatment actively cooperated with the owner's emergency response beyond the scope of the project to ensure the cleanliness of the river and its surrounding environment in the city. Hongdong Treatment carried out labour subcontracting for its projects to create more employment opportunities for labour subcontracting companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART D: CLIMATE-RELATED DISCLOSURES

GOVERNANCE

The Board has established an ESG Management Group, which is responsible for overseeing the Group's climate-related risks and opportunities, as well as related daily management, and regularly reports to the Board on these matters.

Capability Assessment

The Board will conduct through a capability assessment mechanism annually to review whether the ESG Management Group possesses the appropriate skills, knowledge, and experience to effectively oversee the management strategies for climate-related risks and opportunities. The assessment scope includes:

1. Understanding of the operational characteristics of the cigarette packaging and printing industry, including energy consumption, VOCs treatment, water resource usage, and supply chain management;
2. Professional understanding of environmental governance, low-carbon policies, carbon management, pollution control technologies, and climate risk identification methods;
3. Proficiency in the Stock Exchange's ESG disclosure requirements, the impacts of climate-related risks, and sustainable development strategies;
4. Should any capability gaps be identified, they will be addressed by participating in professional training, engaging external consultants, or appointing professionals with relevant expertise to the ESG Management Group, ensuring its continuous competency.

Means and Frequency of Access

The Board and the ESG Management Group primarily access information on climate-related risks and opportunities through the following channels:

1. Conducting an annual review of the "Environmental Management System Certification", which includes identifying and assessing relevant climate risks and promptly updating the risk register;
2. Reporting annually on major environmental compliance matters, energy-saving technological transformation projects, and the impact of extreme weather on production operations;
3. Collating and summarising data on the Group's production energy consumption, resource consumption, and waste emissions on a quarterly basis;
4. Staying abreast of the developments in environmental regulations, carbon emission policies, and low-carbon technologies to ensure they are up-to-date.

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Trade-off Assessment of Climate-related Risks and Opportunities

When formulating the overall strategy of the Company, approving major investments and transactions, and assessing risk management policies, the Board consults the ESG Management Group for its recommendations on related climate-related risks and opportunities, incorporating them into the formal decision-making process. This includes:

1. In the Cigarette Packaging Business, considering the impact of energy saving and consumption reduction, VOCs treatment, green procurement, and water recycling on long-term operating costs and compliance risks;
2. In the Environmental Treatment Business, evaluating market opportunities driven by low-carbon policies, technology route selection, and project return prospects;
3. Conducting climate-related risk assessments for major investment projects, balancing short-term inputs against long-term emission reduction benefits, and compliance costs against sustainable development value;
4. Integrating climate risks into the comprehensive risk management framework, formulating corresponding mitigation and adaptation measures, and periodically reviewing policy effectiveness.

Target Setting and Monitoring

The Board is responsible for approving climate-related management targets (including but not limited to energy conservation, emission reduction, and environmental treatment efficiency indicators to name a few), and the ESG Management Group monitors the progress of these targets. Specifically it includes:

1. The management formulates quantifiable climate-related performance indicators annually, which are reviewed by the Board and incorporated into the annual work plan.
2. The ESG Management Group regularly monitors key indicators such as energy intensity, exhaust gas treatment efficiency, water resource recovery rate, and environmental project completion rate, promptly reporting any deviations and improvement plans to the Board;
3. The Group has incorporated environmental performance, effectiveness in energy saving and emission reduction, and ESG compliance into the performance appraisal mechanism for senior management, and as one of the factors considered in remuneration reviews, ensuring that management responsibilities are aligned with climate management objectives.

The management's responsibility for monitoring, managing, and supervising climate-related risks and opportunities has been delegated jointly to the Production Operations Management Department and the Financial Management Department. These responsibilities are coordinated and led by senior management, who regularly reports to the Board and the ESG Management Group.

The Group oversees the relevant management personnel and departments through the following mechanisms:

1. Regular submission of reports on climate risk management, energy saving and emission reduction, and the execution status of environmental treatment projects;
2. Conducting performance appraisals and internal audits on energy consumption, emission, and compliance indicators;
3. The Board and the ESG Management Group annually review the effectiveness of management's climate risk management efforts and carry out accountability and follow-up work on significant matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Concurrently, the management employs various monitoring measures to identify, assess, monitor, and manage climate-related risks and opportunities, primarily including:

1. Establishing a data monitoring system for production energy consumption, water consumption, VOCs emissions, and waste treatment, conducting regular statistical analysis, and identifying anomalies;
2. Implementing cleaner production, energy-saving technological transformation, and operational monitoring of exhaust gas treatment facilities in the cigarette packaging and printing processes;
3. Conducting project compliance checks, monitoring the stability of technical equipment, and tracking customers' climate-related needs for the Environmental Treatment Business;
4. Carrying out internal inspections and external third-party verification to ensure the continued effectiveness of climate-related risk management measures.

STRATEGY

Climate-related risks and opportunities affecting cash flows, financing channel, and cost of capital, along with their current financial impacts:

Shantou Xinda

The potential climate risks and opportunities are manifested as follows:

Name of Risk	Scope of Financial Impact	Type of Risk	Duration of Impact	Related Opportunities
Stricter Environmental Compliance Requirements	Cash Flow Financing Channel Cost of Capital	Transition Risk	Medium-term (1-3 years) Long-term (over 3 years)	Green printing process upgrades; advanced VOCs treatment; environmental tax incentives and green subsidy policies reducing long-term operating costs; green loans.
Increasing Production Energy Costs	Cash Flow	Transition Risk	Medium-term (1-3 years)	Technological transformation for energy saving and consumption reduction; recycling of resources and energy.
Extreme Weather Affecting Production Operational Continuity	Cash Flow	Physical Risk	Short-term (within 1 year)	Optimising inventory structure.
Green Supply Chain Upgrades and Stricter Environmental Requirements for Customer Products	Cash Flow Financing Channel	Transition Risk	Medium-term (1-3 years)	Stable cooperative relationships; meeting customers' green procurement requirements, enhancing product premium potential.

In 2025, the aforementioned risks are not expected to have a significant impact on the company's financial situation, nor are they anticipated to materially affect assets and liabilities in the next reporting year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hongdong Treatment

The potential climate risks and opportunities are manifested as follows:

Name of Risk	Scope of Financial Impact	Type of Risk	Duration of Impact	Related Opportunities
Changes in Environmental Treatment Policies Affecting Project Returns	Cash Flow Financing Channel Cost of Capital	Transition Risk	Medium-term (1-3 years)	Expanding new businesses; policy subsidies and support.
Green Technology Iteration	Cash Flow	Transition Risk	Medium-term (1-3 years)	Establishing technical service barriers.
Extreme Weather Affecting Production Operational Continuity	Cash Flow	Physical Risk	Short-term (within 1 year)	Identifying illegal wastewater discharge; providing value-added emergency services.
Shifts in Customers' Green Treatment Demands	Cash Flow Financing Channel Cost of Capital	Transition Risk	Medium-term (1-3 years) Long-term (over 3 years)	Refining customised value-added services; utilising existing idle resources.

In 2025, the aforementioned risks are not expected to have a significant impact on the company's financial situation, nor are they anticipated to materially affect assets and liabilities in the next reporting year.

Definitions of Short, Medium, and Long Term and the Mechanism for Linking to Strategic Planning:

Short-term: One year or less than one year, to correspond to the Group's annual operating plan and quarterly/annual operational monitoring cycles, this period primarily focuses on implementable risk response measures for the current period and opportunities for realising short-term gains, falling under the category of climate management at the routine operational level.

Medium-term: One to three years, to correspond to the Group's three-year rolling strategic plan, major technological transformation project cycles, and core business expansion cycles, this period primarily focuses on medium-term compliance requirements, business transformation layout, and returns on key project investments, falling under the category of climate management at the strategic execution level.

Long-term: Over three years, to correspond to the Group's five-year and longer-term development strategy, long-term carbon neutrality goals, and long-term industry low-carbon transition trends, this period primarily focuses on building long-term core competitiveness, business structure transformation and upgrading, and achieving sustainable development goals, falling under the category of climate management at the long-term strategic planning level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has deeply and comprehensively linked the short, medium, and long-term time horizon divisions with its overall strategic planning, investment decisions, resources deployment, and risk management, ensuring that climate-related management progresses in line with corporate development:

1. Short-term climate risks and opportunities are directly linked to the annual operating budget, performance appraisal, and cash flow control. The management formulates annual response plans to ensure the achievement of current operating targets and stringently control short-term cash flow fluctuations;
2. Medium-term climate risks and opportunities are fully integrated with the three-year rolling strategy, major investment project approvals, technological transformation plans, and financing plans. The Board and the management focus on reviewing medium-term low-carbon investments and business expansion projects, balancing short-term investments against medium-term returns, and optimising the structure of financing channels;
3. Long-term climate risks and opportunities are incorporated into the corporate long-term development strategy and sustainable development goals, serving as core decision-making bases for major business transformations, technology research and development, and market positioning. The Board periodically reviews the implementation of the long-term climate strategy to ensure the company aligns with the long-term trend of industry low-carbon transition, thereby safeguarding stable long-term cash flows, unimpeded access to finance, and manageable cost of capital, ultimately achieving sustainable development.

Business Model and Value Chain:

Shantou Xinda

The impact of climate-related risks and opportunities on the business model and value chain includes the stages of raw and auxiliary material supply (green procurement and supply chain stability risks, risks of raw material price fluctuations), production, manufacturing and delivery (energy consumption, emissions and compliance risks, risks of changing environmental requirements), and customer service (low-carbon demand shifts and market opportunities, providing customised services). The company establishes specific monitoring mechanisms for these focal points to holistically manage risks and explore opportunities, ensuring the overall stability and sustainable development of the value chain.

Hongdong Treatment

The impact of climate-related risks and opportunities on the business model and value chain includes the stages of environmental technology, equipment, and professional subcontracting supply (technological innovation and supply stability risks), the integration of pollution treatment and ecological restoration services (policy compliance and operational risks), and government and corporate customer service (market opportunities arising from growing environmental demands, providing corresponding customised and refined services). The company establishes specific monitoring mechanisms for these focal points to holistically manage risks and explore opportunities, ensuring the overall stability and sustainable development of the value chain.

Impact of Climate-related Risks and Opportunities on the Group's Strategy and Decision-making:

The Group actively collects information on climate-related risks that may affect its business development, responds to the requirements of newly promulgated policies and regulations, assesses the scope and magnitude of these impacts, formulates corresponding countermeasures, and adjusts set targets, such as greenhouse gas emissions, in a timely and reasonable manner when necessary. During the Year, the Group had no plans to change or transform its current business model due to the climate-related risks and opportunities it faces. In the foreseeable future, the Group currently has no plans to change or transform its current business model as a result of these climate-related risks and opportunities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Current and Anticipated Financial Impacts:

The current (short-term) risks faced by the Group primarily include short-term production disruptions triggered by extreme weather events and supply chain cost fluctuations. Regarding extreme weather, Shantou Xinda's production operations are concentrated within its factory premises and are subject to limited impact from external weather conditions. Even if short-term production disruptions occur, progress can generally be recovered by adjusting production schedules. For Hongdong Treatment, the annual treatment fees from project owners already include expenditures for extreme weather emergency response. Concerning supply chain cost fluctuations, Shantou Xinda has signed long-term cooperation agreements with its suppliers, limiting the impact of short-term price changes. Overall, climate-related risks and opportunities do not exert any significant impact on the current financial position. Due to the randomness and short-term nature of extreme weather, effectively quantifying the financial impact is a challenging task.

For the anticipated (medium to long-term) period, risks are primarily associated with major technological transformation project cycles and core business expansion cycles. Shantou Xinda will actively respond to new national regulations and policies, comply with newly promulgated emission standards, and formulate corresponding equipment upgrade plans. The funding for these plans will come from cash flows and financing from financial institutions. Concurrently, it will conduct trials for new products requested by customers, actively expanding new product lines while maintaining existing ones. Due to the significant uncertainty of customer requirements, and to alleviate pressure on corporate operating costs, Hongdong Treatment outsources its non-core services; therefore, it currently has no immediate plans for new equipment investment or disposal in the short term.

Furthermore, Shantou Xinda's equipment upgrades and major technological transformation projects are significantly affected by national environmental policies and standards, and uncertainties exist. Hongdong Treatment's business is considerably affected by changes in local government finances and national environmental policies. Overall, the measurement methods used to assess these impacts involve too much uncertainty, making it difficult to effectively evaluate the financial impact through quantification, and any resulting quantified estimates would have no reference value.

Climate Resilience:

The Group places great importance on the impacts of climate risks and is committed to enhancing its climate resilience.

Shantou Xinda

Firstly, as the production area is located in the south-eastern coastal zone, which experiences frequent typhoons and heavy rains during summer, adequate drainage facilities and regulating ponds were incorporated during the construction of the plant area. This allows short-term excess rainwater to be stored in the ponds and subsequently utilised for landscaping within the site. The factory buildings were constructed with appropriately elevated foundations, and the entrances and exits are equipped with drainage slopes and sandbags to minimise the risk of rainwater backflow into the factory premises caused by extreme weather, which could lead to dampness in inventory products. Annually, in anticipation of the upcoming rainy season and peak typhoon period, the company prepares raw materials in advance and maintains safety stock levels to mitigate the impact of supply and transportation disruptions caused by extreme weather on production.

Secondly, the company actively monitors new national environmental policies and standards, promptly adjusting, maintaining, retrofitting, or upgrading existing production equipment, and engages qualified third parties to conduct regular inspections of relevant exhaust gas to ensure compliant emissions.

Thirdly, the company closely monitors energy consumption and cost increases during production, regularly collects data on electricity and other energy consumption, and tracks fluctuations in energy use and costs. Should significant deviations occur, it will promptly investigate and analyse the cause to bring energy consumption and costs back within a controllable fluctuation range.

Finally, the company proactively addresses customers' environmental requirements for products, satisfying the demands for green supply, green production, and full-chain management of green products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hongdong Treatment

Firstly, the company's projects are primarily located within Guangdong Province, which experiences frequent typhoons and heavy rains during summer. Therefore, when selecting project site locations, considerations include not only the distance to the project site to reduce vehicle commuter emissions, but also site drainage to avoid impacting project construction and maintenance schedules. The project department maintains emergency supplies ready to address potential equipment displacement or damage and ecological disruption in waterways following extreme weather, enabling immediate equipment repair and ecological restoration. Furthermore, where the maintenance contract specifies the provision of additional emergency services, separate emergency funds can be applied for to alleviate project operational pressure.

Secondly, the company actively monitors the development of green environmental technologies and, considering its operational status and project requirements, comprehensively weighs the advantages and disadvantages of providing services in-house versus outsourcing, thereby enhancing its own service level.

Thirdly, in response to unexpected changes in environmental treatment policies, the company proactively communicates and negotiates with customers, supplementing the original contracts with written agreements for matters outside the initial scope to mitigate the impact on project returns.

Finally, throughout the service process, the company maintains constant communication with customers, actively responds to their new environmental treatment needs, and leverages its existing resources to create new revenue streams.

RISK MANAGEMENT

The Group has established a climate-related risk management regime, formulated specific management policies and operating procedures, and defined a full-process mechanism for risk identification, assessment, prioritisation, and ongoing monitoring. Climate risks are integrated into the Group's comprehensive risk management framework, overseen by the Board, executed by the management, and implemented by operational departments, ensuring comprehensive risk management coverage.

The Group conducts climate-related risk identification and assessment, rigorously screening authentic and complete input data and parameters to ensure objective and accurate results. The specific data sources and business scope covered are as follows:

1. Internal operational data: Production energy consumption, water consumption, VOCs emissions, production equipment operating parameters, environmental facility operation and maintenance records, raw and auxiliary material procurement and supply chain data, production downtime records, capital expenditure budgets, etc.; project data, technical parameters, customer emission reduction requirements, project collection and operational data, R&D investment data, etc.
2. External policy and industry data: National and local environmental regulations, low-carbon development plans, the Stock Exchange's ESG disclosure guidelines, green standards for the tobacco industry, and authoritative documents such as technical specifications and policy orientations for the environmental treatment industry.
3. Market and customer data: Customers' green procurement standards, changes in low-carbon requirements, and relevant provisions in procurement and project contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group employs a combination of qualitative and quantitative methods to comprehensively assess the nature, likelihood, and magnitude of impacts of climate-related risks, establishing clear assessment criteria to ensure objective and manageable results. The specific assessment logic is as follows: Firstly, risks are categorised by nature, distinguishing between climate-related physical risks (direct risks from extreme weather and long-term climate change) and climate-related transition risks (structural risks from policy, technology, and market changes), as required by the Stock Exchange, clarifying the transmission pathways and scope of impact for different risk types. Secondly, considering historical data and scenario analysis results, the likelihood of risk occurrence is ranked as high, medium, or low, with key considerations including the pace of policy implementation, climate change trends, industry competition landscape, and internal control capabilities. For example, tightening environmental standards is considered a high-likelihood risk. Finally, the magnitude of impact is assessed across dimensions including financial impact, operational impact, and market/reputational impact, and is categorised into different levels. This process ultimately yields a risk assessment matrix, clarifying the ranking and control priority of each risk. The Group has yet to adopt relevant scenario analysis to identify climate-related risks. Compared to the previous reporting period, the processes for risk assessment and management have not changed.

INDICATORS AND TARGETS

Greenhouse Gas Emissions:

The absolute gross greenhouse gas emissions data for Shantou Xinda and Hongdong Treatment during the Year are as follows:

Unit	2025			2024		
	Shantou Xinda (tonne)	Hongdong Treatment (tonne)	Total (tonne)	Shantou Xinda (tonne)	Hongdong Treatment (tonne)	Total (tonne)
Carbon Dioxide (CO ₂)	3,466.76	111.46	3,578.22	2,961.51	134.43	3,095.94
Methane (CH ₄)	0.87	0.02	0.89	–	–	–
Nitrous Oxide (N ₂ O)	0.01	0.00	0.01	–	–	–
Total	3,467.64	111.48	3,579.12	2,961.51	134.43	3,095.94
Including:						
Scope 1 greenhouse gas emissions	3,443.87	76.14	3,520.01	2,939.48	90.78	3,030.26
Scope 2 greenhouse gas emissions	–	–	–	–	–	–
Scope 3 greenhouse gas emissions	23.77	35.34	59.11	22.03	43.65	65.68

The measurement methods for each greenhouse gas are detailed by the conversion parameters listed in the tables below for each respective greenhouse gas. These measurement methods follow common accounting frameworks, and conversions are applied to present greenhouse gas emissions data more intuitively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group does not generate indirect emissions (Scope 2 greenhouse gas emissions) from the purchase of energy. For instance, electricity is supplied by installed cables, natural gas by embedded pipelines, and vehicles are refuelled at service stations. The categories included in Scope 3 greenhouse gas emissions primarily comprise energy consumption from daily canteen operations, business travel, and waste treatment generated from operations.

Carbon Dioxide (CO₂) Emissions

Unit	2025			2024		
	Shantou Xinda (tonne)	Hongdong Treatment (tonne)	Total (tonne)	Shantou Xinda (tonne)	Hongdong Treatment (tonne)	Total (tonne)
LPG	0.26	–	0.26	0.35	–	0.35
Electricity	3,443.00	76.14	3,519.14	2,939.48	90.78	3,030.26
Gasoline	19.70	19.86	39.56	18.54	24.55	43.09
Diesel	3.80	15.45	19.25	3.16	19.10	22.26
Total	3,466.76	111.46	3,578.22	2,961.51	134.43	3,095.94

* 1 kilogram (kg) LPG produces ≈ 3.1013 kg CO₂; 1 kilowatt-hour (kWh) electricity produces ≈ 0.997 kg CO₂; 1 Litre (L) gasoline produces ≈ 2.254 kg CO₂; 1 L diesel produces ≈ 2.63 kg CO₂

The abovementioned mainly refers to the CO₂ emissions generated by equipment and transportation vehicles during the production and administrative processes of the corporate activities, as well as the CO₂ emissions generated in employees' daily activities (such as kitchen and staff dormitory water heaters).

In 2025, Shantou Xinda's overall energy consumption is expected to increase by approximately 17.06% compared to last year due to higher production output. For Hongdong Treatment, with no new projects and adjustments made to equipment operating hours based on actual conditions and project owner requirements, the overall energy consumption is projected to decrease by 17.09% compared to last year.

Methane (CH₄) Emissions

Unit	2025			2024		
	Shantou Xinda (kg)	Hongdong Treatment (kg)	Total (kg)	Shantou Xinda (kg)	Hongdong Treatment (kg)	Total (kg)
Electricity	863.4200	19.0932	882.5132	–	–	–
LPG	0.0210	–	0.0210	–	–	–
Natural Gas	0.0046	–	0.0046	–	–	–
Gasoline	1.7447	1.7625	3.5072	–	–	–
Diesel	0.2400	1.1750	1.4150	–	–	–
Total	865.4304	22.0306	887.4609	–	–	–

* 1 kWh electricity produces ≈ 0.00025 kg CH₄; 1 L gasoline produces ≈ 0.0002 kg CH₄; 1 L diesel produces ≈ 0.0002 kg CH₄; 1 kg LPG produces ≈ 0.00025 kg CH₄; 1 m³ natural gas produces ≈ 0.0000002 kg CH₄

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Nitrous Oxide (N₂O) Emissions

Unit	2025			2024		
	Shantou Xinda (kg)	Hongdong Treatment (kg)	Total (kg)	Shantou Xinda (kg)	Hongdong Treatment (kg)	Total (kg)
Electricity	6.9074	0.1527	7.0601	–	–	–
LPG	0.0024	–	0.0024	–	–	–
Natural Gas	0.5071	–	0.5071	–	–	–
Gasoline	0.1832	0.1851	0.3683	–	–	–
Diesel	0.0264	0.1292	0.1556	–	–	–
Total	7.6265	0.4670	8.0935	–	–	–

* 1 kWh electricity produces ≈ 0.000002 kg N₂O; 1 L gasoline produces ≈ 0.000021 kg N₂O; 1 L diesel produces ≈ 0.000022 kg N₂O; 1 kg LPG produces ≈ 0.000028 kg N₂O; 1 m³ natural gas produces ≈ 0.000022 kg N₂O

Moreover, the Group does not use refrigerants or other fluorinated products in its production processes. Therefore, it does not generate emissions of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), or nitrogen trifluoride (NF₃).

Amounts and Percentages of Assets and Activities Affected by Climate-related Transition and Physical Risks and Involving Climate-related Opportunities

As of the reporting date, the Group does not have all reasonable and supportable information obtainable without undue cost or effort regarding the amounts and percentages of assets and activities affected by climate-related transition and physical risks and involving climate-related opportunities.

Capital Deployment

During the Year, the Group incurred expenses of RMB50,000 for identifying and assessing climate-related risks and opportunities, and for obtaining relevant system certifications.

Internal Carbon Pricing

Based on the current situation in the Chinese Mainland, the carbon pricing mechanism is primarily based on the carbon market, while carbon tax is still in the research and formulation stage. Industry coverage is currently limited to the power generation, steel, cement, and aluminium smelting sectors. Other high-emission industries have not yet been fully included. Consequently, to date, the Group has not applied carbon pricing in its operational decisions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas Emission Targets

The Group continuously monitors the risks and opportunities arising from climate change and actively takes measures to reduce the impact of its production activities on the climate. In this regard, as resolved by the Board, quantitative targets for greenhouse gas emissions, represented by carbon dioxide, methane, and nitrous oxide, have been set, and their implementation is overseen by the ESG Management Group. Furthermore, as HFCs, PFCs, SF₆ and NF₃ are not generated in production, hence they are not included as relevant indicators. The aforementioned targets have yet been verified by a third party, and not derived using industry decarbonisation methods, and currently there are no plans to use carbon credits to offset greenhouse gas emissions or to achieve a net-zero greenhouse gas emissions target.

The targets set by the Group are applicable to its two subsidiaries, Shantou Xinda and Hongdong Treatment. The target application period is from January to December 2026, with the baseline period being January to December 2025. The details are as follows:

Shantou Xinda

Unit emission intensity target: For 2026, the Group aims to reduce the target unit emission intensity Total emissions (tonnes)/Total output value (RMB) for carbon dioxide, methane, and nitrous oxide by 0.2% compared to the 2025 baseline.

Total emission target: As total emissions are significantly influenced by fluctuations in orders (output value), the Group aims to reduce total emissions by 0.2% under the condition that the output value remains essentially unchanged (i.e., within a 5% fluctuation) compared to the 2025 baseline.

Hongdong Treatment

Unit emission intensity target: For 2026, the Group aims to reduce the target unit emission intensity Total emissions (tonnes)/Total output value (RMB) for carbon dioxide, methane, and nitrous oxide by 0.2% compared to the 2025 baseline.

Total emission target: As total emissions are significantly influenced by project changes (project completions, addition of new projects), the Group aims to reduce total emissions by 0.2% under the condition that the output value remains essentially unchanged (i.e., within a 5% variation) compared to the 2025 baseline.

Furthermore, under current policies, relevant regulations only impose limits on unit emissions of pollutants such as VOCs, toluene, and xylene (refer to A1.1). Shantou Xinda's emissions are all within the prescribed limits. Currently, policies have not yet set forth any quantitative requirements for greenhouse gas emissions.

Applicability of Cross-industry and Industry-specific Metrics

In preparing the disclosure content, the Group has referred to and applied relevant aspects of the “Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)” and the “IFRS S2 Climate-related Disclosures: Industry-based Guidance” within this ESG Report.

DIRECTORS' REPORT

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for FY2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in Cigarette Packaging Business and Environmental Treatment Business in the Chinese Mainland. The principal activities and other particulars of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group and the analysis of the Group's performance during the Year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 5 to 10 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information about the environmental policies and performance of the Group for the Year is provided in the Environmental, Social and Governance Report on pages 26 to 61 of this annual report.

RESULTS

The Group's results for FY2025 and its financial position as at 31 December 2025 are set out in the consolidated financial statements on pages 75 to 141 of this annual report.

RECOMMENDED DIVIDEND

In light of the Group incurring a loss for the Year, the Board does not recommend the payment of final dividend for FY2025 (FY2024: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 26 June 2026 (the "AGM"). The register of members of the Company will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, for the purpose of identifying Shareholders who are entitled to attend the AGM, during which no transfer of Shares will be registered. In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 18 June 2026.

MAJOR RISKS AND RISK MANAGEMENT

The following are the key risks that the Group considers to be of great significance to the Group in its current status. These risks may have adverse effect on the Group's business. The impact of risk relating to the business of the Group will change over time. The size, complexity and coverage of our business and the changing environment in which the Group operates also mean that the list cannot be an exhaustive list of all material risks that could affect the Group. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders.

Business Risk

The Group's business relies heavily in China and faces business risks include economic and political risks, social environment, corporate responsibility and sustainability risks. The Board meets regularly and reviews the investment and expansion strategies, business plan, financial results, and key performance indicators of the Group to ensure that the business risks are controlled and managed, and potential risks can be identified.

Financial Risk

The Group has adopted financial risk management policies to control the Group's financial risk exposure, such as taxation risks, currency risks and financial reporting risks. Also, the Board monitors the financial results and key operating statistics with the assistance of the Group's finance department on a regular periodic basis.

Compliance Risk

The Group has adopted internal procedures to monitor its compliance risk to ensure that the Group's compliance with the laws and regulations in regions where it conducts business. In addition, the Group from time to time engages consulting firms and professional advisers to keep the Group updated with the latest development in the regulatory environments.

Credit Risk

None of the Group's trade receivables or other receivables have any collateral. The Group has policies in place to ensure that sales are made to customers with appropriate credit histories, and it conducts periodic credit evaluations of its customers to effectively manage credit risk.

Operational Risk

The Group has adopted procedures to manage its operational risk exposures, such as human resources risks and information technology (IT) governance risks. The Group monitors the overall employee turnover rate, employee satisfaction levels, and status of IT systems on a monthly basis, and adopts appropriate countermeasures if any risk indicators arise.

The Group also faces other financial risks in the ordinary course of business, such as market risk, foreign exchange risk, cash flow and fair value interest rate risk, price risk and liquidity risk. Details of financial risk management are set out in note 3 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

As an entity incorporated in the Cayman Islands and listed in Hong Kong, the Company is primarily governed by the Companies Act (as revised) of the Cayman Islands, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the SFO, and the Listing Rules at the corporate level. The Board has adopted the Model Code, and each of the Board Committees has its own terms of reference outlining their respective rights, duties and obligations. During the Year, to the best of the Directors' knowledge, there were no material breaches of or non-compliance with applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers, employees and governments to achieve its objectives and long-term goals. During the Year, there were no material or significant disputes between the Group and its employees, suppliers, customers or other stakeholders.

DIRECTORS' REPORT

FIVE YEARS FINANCIAL SUMMARY

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2025 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

As at 31 December 2025, the aggregate amount of reserves available for distribution to equity Shareholders was HK\$180,833,000 (31 December 2024: HK\$188,935,000).

DONATIONS

There were no donations made by the Group during the Year and FY2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year and FY2024.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2025, the aggregate revenue attributable to the Group's five largest customers accounted for approximately 100% (FY2024: approximately 99%) and the largest customer accounted for approximately 49% (FY2024: approximately 53%) of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 59% (FY2024: approximately 45%) and the largest supplier accounted for approximately 19% (FY2024: approximately 13%) of the Group's total purchases.

At no time during the Year have the Directors, their associates or any Shareholders, who to the knowledge of the Directors own more than 5% of the issued share capital of the Company, had any interest in these major customers and suppliers.

CONNECTED AND RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group during the Year as disclosed in the note 32 to the consolidated financial statements are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under rule 14A.76(1) of the Listing Rules.

DIRECTORS

The Directors during the Year were:

Executive Directors

Mr. Zheng Andy Yi Sheng (*Chairman*)
Mr. Zheng Minsheng
Ms. Zheng Catherine Jia Lin

Non-executive Director

Mr. Hao Jiming (*resigned on 30 April 2025*)

INEDs

Mr. Lau Kwok Hung
Mr. Fok Po Tin
Mr. Cai Xiaowen

CHANGES OF DIRECTORS' INFORMATION

Reference is made to the announcements of the Company dated 30 April 2025 and 25 June 2025.

Mr. Hao Jiming resigned as the Non-executive Director on 30 April 2025 due to his personal arrangement.

Ms. Zheng Catherine Jia Lin, an Executive Director, and Mr. Cai Xiaowen, an INED, were appointed as additional members of the Nomination Committee with effect from 25 June 2025.

Save as disclosed above, the Directors confirmed that no other information is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and Senior Management are set out on pages 11 to 12 of this annual report.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Pursuant to article 112 of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Pursuant to article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, 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 shall be subject to retirement at least once every three years.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting 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 statutory compensation).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for transactions disclosed in note 32 to the consolidated financial statements or elsewhere in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party and in which a Director or an entity connected with a Director or a controlling Shareholders or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

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 existing during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, to the best knowledge of the Directors, none of the Directors was considered to have any interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

The controlling Shareholders (as defined in the Listing Rules) have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 14 November 2013 (the "**Deed of Non-competition**").

The INEDs have reviewed the compliance with the Deed of Non-competition by the controlling Shareholders and confirmed that up to the date of this report, the Deed of Non-competition is fully complied with and duly enforced.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year. In addition, the Company has taken out and kept in force appropriate directors' and senior management's liabilities insurance coverage for the Directors and Senior Management.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The remuneration of Directors is performance-linked with reference to business performance, market practices and competitive market conditions. Directors' remuneration packages and structures shall reflect a fair reward system emphasizing performance, taking into account job responsibilities, individual performance and contributions, prevailing market conditions, and the Company's remuneration policy and overall performance.

Particulars of the Directors' remuneration and five individuals with highest emoluments are set out in note 9 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

The Group participates in a state-managed retirement scheme operated by the PRC Government, which covers the Group's eligible employees in the Chinese Mainland, and operates a Mandatory Provident Fund scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group in Hong Kong. Details of the Group's retirement benefit schemes are set out in note 2.19 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE BY INEDS

Having taken into account the independence guidelines set out in rule 3.13 of the Listing Rules, the Company confirms that all INEDs are considered independent.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company disclosed below, there was no equity-linked agreements entered into by the Company during the Year.

Share Option Scheme

A new share option scheme (the "**Share Option Scheme**") was approved and adopted by the Company for a period of 10 years at the annual general meeting held on 16 June 2023, in place of the old share option scheme adopted on 14 November 2013. For details of the Share Option Scheme, please refer to the circular of the Company dated 28 April 2023. The Share Option Scheme aims to recognise the past contribution and future performance of the directors, chief executive, employees of the Group ("**Employee Participants**") and the suppliers, advisers and consultants of the Group ("**Service Providers**") (collectively referred to as "**Eligible Participants**"), to the long-term growth of the Group by granting options to them as incentives or rewards and to attract, retain and motivate high-calibre Eligible Participants in line with the performance goals of the Group.

The Share Option Scheme will remain in force for a period of 10 years commencing on 16 June 2023 (i.e., the date of adoption of the Share Option Scheme) (the "**Adoption Date**") to 15 June 2033. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme adopted by the Group must not in aggregate exceed 10% (the "**Scheme Mandate Limit**") of the Shares in issue on the Adoption Date, which were 70,143,000 Shares. Within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to the Service Providers shall not exceed 7,014,300 Shares, representing 1% of the total number of Shares in issue on the Adoption Date (the "**Service Provider Sublimit**"). The Company may renew the Scheme Mandate Limit with Shareholders' approval provided that each such renewal may not exceed 10% of the Shares and after 3 years from the date of approval by the Shareholders for the adoption of the Share Option Scheme or the last refreshment which is subject to the Company must comply with the requirements under rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules.

The total number of Shares available for issue under the Share Option Scheme is 70,143,000 Shares, representing 10% of the total number of Shares in issue (excluding treasury shares, if any) as at the date of this annual report.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 business days inclusive of, and from the date of the offer of grant of the option. A non-refundable consideration of HK\$1.00 is payable on acceptance of the grant of an option.

DIRECTORS' REPORT

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

Unless a shorter vesting period is granted to the Employee Participants at the sole discretion of the Board or the Remuneration Committee in certain circumstances as specified in the Share Option Scheme, the vesting period of options granted under the Share Option Scheme shall not be less than 12 months.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of the Shares.

No share option was granted under the Share Option Scheme since its adoption and during the Year.

At the beginning and the end of the Year, the number of options available for grant under the Share Option Scheme and the Service Provider Sublimit were 70,143,000 Shares and 7,014,300 Shares, respectively.

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

As at 31 December 2025, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in ordinary Shares

Name of Directors	Capacity/ Nature of interest	Number of ordinary Shares held	Total	Percentage of the Company's issued share capital (Note (ii))
Mr. Zheng Andy Yi Sheng (Note (i))	Interest in a controlled corporation	450,000,000	450,000,000	64.15
Mr. Zheng Minsheng	Beneficial owner	1,200,000	1,200,000	0.17
Ms. Zheng Catherine Jia Lin	Beneficial owner Interest of spouse	22,400,000 6,000	22,406,000	3.19
Mr. Lau Kwok Hung	Beneficial owner	400,000	400,000	0.06

Notes:

- (i) These 450,000,000 Shares are beneficially owned by SXD Limited and the entire issued share capital of SXD Limited is legally and beneficially owned by Mr. Zheng Andy Yi Sheng.
- (ii) The approximate percentage of interests held was calculated on the basis of 701,430,000 ordinary Shares in issue as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, none of the Directors and the chief executive of the Company or any of their spouses or children under 18 years old had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise 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, to the best knowledge of the Directors, the following persons 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 of the Company required to be kept under section 336 of the SFO:

Long positions in ordinary Shares

Name of Shareholders	Capacity/Nature of interest	Number of ordinary Shares held	Percentage of the Company's Issued share capital <i>(Note (iii))</i>
SXD Limited <i>(Note (i))</i>	Beneficially owned	450,000,000	64.15
Mr. Zheng Andy Yi Sheng <i>(Note (i))</i>	Interest in a controlled corporation	450,000,000	64.15
Ms. Chen Annie Ni <i>(Note (ii))</i>	Interest of spouse	450,000,000	64.15

Notes:

- (i) The entire issued share capital of SXD Limited is legally and beneficially owned by Mr. Zheng Andy Yi Sheng.
- (ii) Ms. Chen Annie Ni is the spouse of Mr. Zheng Andy Yi Sheng and is accordingly deemed to have an interest in the shares of SXD Limited.
- (iii) The approximate percentage of interests held was calculated on the basis of 701,430,000 ordinary Shares in issue as at 31 December 2025.

Save as disclosed above, the Company had not been notified by any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO as at 31 December 2025.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, the Company complies with rule 13.32B of the Listing Rules and has maintained a public float of at least 25% as at the latest practicable date prior to the issue of this annual report.

AUDITOR

The consolidated financial statements for FY2025 were audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. There has been no change in auditor of the Company in any of the preceding three years.

On Behalf of the Board

Zheng Andy Yi Sheng

Chairman

Hong Kong, 30 March 2026

INDEPENDENT AUDITOR'S REPORT



To the Shareholders of Huaxi Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Huaxi Holdings Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 75 to 141, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

The key audit matter identified in our audit is related to assessment of the expected credit losses of trade receivables and contract assets.

Key Audit Matter

Assessment of the expected credit losses of trade receivables and contract assets

Refer to Note 4.2 for the critical accounting estimates and judgments involved, Note 3.1(b) for analysis of credit risk, Note 21 for the analysis of trade receivables and Note 6(a) for the analysis of contract assets.

As at 31 December 2025, the Group had gross trade receivables of HK\$181,872,000 and gross contract assets of HK\$26,496,000, and provision for expected credit losses ("ECL") of trade receivables and contract assets of HK\$90,460,000 and HK\$14,794,000, respectively.

Management applied HKFRS 9 by using the simplified approach to measure the lifetime ECL of trade receivables and contract assets.

For trade receivables with remarkably different credit risk characteristics, management evaluated the distribution of expected cash flows under multiple scenarios based on current situations and forecasts of future conditions of contract counterparties, and made corresponding provision for ECL according to expected credit loss rate and the related probability weight under different scenarios. ECL was recognised on an individual basis.

Other than trade receivables with remarkably different credit risk characteristics, trade receivables and contract assets have been grouped based on similar credit risk characteristics. Impairment provision of those trade receivables and contract assets was made on an collective basis based on an assessment of the risk of default and expected loss rates with reference to the credit rating of each customer group. Management also took into account forward-looking adjustments to expected credit losses.

We focused on this area because management's assessment on the expected credit losses of trade receivables and contract assets involved significant management estimates and judgements.

How our audit addressed the Key Audit Matter

We have performed the following procedures to address this key audit matter:

- a. We understood and evaluated management's key controls in relation to the assessment of the expected credit losses of trade receivables and contract assets, including review on reasonableness of the key assumption and data involved in expected credit losses assessment. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and changes;
- b. With the support from our internal valuation experts, we assessed the appropriateness of customer group and the credit loss provisioning methodology adopted by management, assessed the reasonableness of the risk of default and expected loss rates by checking reasonableness of the assumptions and parameters used by management, assessed the appropriateness of the forward-looking adjustment made to the historical loss rates by considering our industry knowledge and macroeconomic information, and performed sensitivity analysis to address the estimation uncertainty related to the expected credit losses of trade receivables and contract assets.
- c. We checked the mathematical accuracy of the calculation of the allowance of expected credit losses.

Based on the procedures performed, we considered that management's estimates and judgements applied in the assessment of the expected credit losses of trade receivables and contract assets were supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company 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 THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tong, Benny Ho Bong (practising certificate number: P07773).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2025 HK\$'000	2024 HK\$'000
Revenue	6	148,854	143,768
Cost of sales	7	(102,635)	(136,393)
Gross profit		46,219	7,375
Distribution costs	7	(1,050)	(998)
Administrative expenses	7	(33,560)	(41,227)
Net impairment losses on financial and contract assets	8	(44,467)	(79,612)
Other gains/(losses) – net	10	1,524	(5,156)
Share of loss of an associate accounted for using the equity method		(22)	(274)
Operating loss		(31,356)	(119,892)
Finance income/(cost) – net	11	495	(110)
Loss before income tax		(30,861)	(120,002)
Income tax (expense)/credit	12	(3,233)	8,931
Loss for the year		(34,094)	(111,071)
Loss attributable to:			
– Owners of the Company		(34,010)	(110,765)
– Non-controlling interests		(84)	(306)
		(34,094)	(111,071)
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation differences on translation to presentation currency		6,304	(6,524)
Other comprehensive income/(loss) for the year, net of tax		6,304	(6,524)
Total comprehensive loss for the year		(27,790)	(117,595)
Total comprehensive loss attributable to:			
– Owners of the Company		(27,555)	(117,433)
– Non-controlling interests		(235)	(162)
		(27,790)	(117,595)
Losses per share attributable to owners of the Company for the year (expressed in HK cent per share)			
– Basic and diluted losses per share	13	HK(4.85) cents	HK(15.79) cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2025 HK\$'000	31 December 2024 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	27,215	51,357
Right-of-use assets	17(a)(i)	7,224	6,746
Intangible assets		14	17
Deferred tax assets	19	9,389	10,427
Investment properties	18	32,496	14,172
		76,338	82,719
Current assets			
Inventories	20	20,589	24,245
Contract assets	6(a)	11,702	19,184
Trade receivables	21	91,412	143,601
Prepayments and other receivables	22	3,569	4,594
Financial assets at fair value through profit or loss	23	11,500	13,161
Restricted cash at banks	24	42,863	37,548
Cash and cash equivalents	25	45,084	25,826
		226,719	268,159
Total assets		303,057	350,878

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2025 HK\$'000	31 December 2024 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	3,508	3,508
Other reserves	27	219,145	212,690
Accumulated losses		(45,854)	(11,844)
		176,799	204,354
Non-controlling interests		(6,983)	(6,748)
Total equity		169,816	197,606
LIABILITIES			
Non-current liabilities			
Lease liabilities	17(a)(ii)	1,187	606
Deferred tax liabilities	19	3,820	4,914
		5,007	5,520
Current liabilities			
Trade and notes payables	28	104,609	109,265
Contract liabilities	6(a)	–	2,427
Lease liabilities	17(a)(ii)	2,207	2,306
Other payables and accruals	30	19,011	20,970
Current income tax liabilities		2,407	2,524
Borrowings	29	–	10,260
		128,234	147,752
Total liabilities		133,241	153,272
Total equity and liabilities		303,057	350,878

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 75 to 141 were approved by the Board on 30 March 2026 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK\$'000 (Note 26)	Other reserves HK\$'000 (Note 27)	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Year ended 31 December 2024						
Balance at 1 January 2024	3,508	219,157	99,122	321,787	(6,586)	315,201
Comprehensive (loss)/income						
– Loss for the year	–	–	(110,765)	(110,765)	(306)	(111,071)
– Other comprehensive (loss)/income	–	(6,668)	–	(6,668)	144	(6,524)
– Other transfer	–	201	(201)	–	–	–
Total comprehensive loss	–	(6,467)	(110,966)	(117,433)	(162)	(117,595)
Balance at 31 December 2024	3,508	212,690	(11,844)	204,354	(6,748)	197,606
Year ended 31 December 2025						
Balance at 1 January 2025	3,508	212,690	(11,844)	204,354	(6,748)	197,606
Comprehensive income/(loss)						
– Loss for the year	–	–	(34,010)	(34,010)	(84)	(34,094)
– Other comprehensive income/(loss)	–	6,455	–	6,455	(151)	6,304
Total comprehensive income/(loss)	–	6,455	(34,010)	(27,555)	(235)	(27,790)
Balance at 31 December 2025	3,508	219,145	(45,854)	176,799	(6,983)	169,816

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Cash generated from operating activities	31(a)	31,167	19,687
Income tax paid		(3,273)	(2,494)
Net cash generated from operating activities		27,894	17,193
Cash flows from investing activities			
Purchase of property, plant and equipment		(297)	(3,887)
Prepayments for non-current assets		–	(342)
Proceed from disposal of property, plant and equipment		64	560
Investment in an associate		(22)	(274)
Increase in restricted cash at banks		(5,315)	(3,758)
Loan to a related party		–	(22)
Loans to third parties		(98)	(4,070)
Repayments of loans from third parties		–	823
Purchase of financial assets at fair value through profit or loss		(4,435)	(8,815)
Net proceeds from disposal of financial assets at fair value through profit or loss		11,275	31,271
Interest income from other financial assets		172	56
Interest income from bank deposits		625	542
Net cash generated from investing activities		1,969	12,084
Cash flows from financing activities			
Proceeds from borrowings		–	10,420
Repayment of borrowings		(10,371)	(22,485)
Interest paid		(196)	(635)
Principal elements of lease payments		(1,837)	(1,757)
Interests elements of lease payments		(106)	(73)
Net cash used in financing activities		(12,510)	(14,530)
Net increase in cash and cash equivalents		17,353	14,747
Cash and cash equivalents at beginning of the year		25,826	12,341
Effect of change in exchange rate		1,905	(1,262)
Cash and cash equivalents at end of the year	25	45,084	25,826

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Huaxi Holdings Company Limited was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in (i) Cigarette Packaging Business; and (ii) Environmental Treatment Business in the Chinese Mainland.

The ultimate parent company of the Company is SXD Limited, which was incorporated in the British Virgin Islands.

The Company's shares have been listed on the Main Board of the Stock Exchange since 6 December 2013.

These consolidated financial statements are presented in thousands of HK\$ unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the year presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRS accounting standards and Hong Kong Companies Ordinance (Cap.622) ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with HKFRS accounting standards and the disclosure requirements of HKCO.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL"), which are carried at fair value.

(c) New and amended standards adopted by the Group for the year ended 31 December 2025

The Group has applied the following standards and amendments for the first time for its reporting period commencing 1 January 2025:

- Lack of Exchangeability – Amendments to HKAS 21

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting period and have not been early adopted by the Group.

		Effective for reporting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to Hong Kong Interpretation 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

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective, except for HKFRS 18, which will mainly impact the presentation of statements of comprehensive income.

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 financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation *(continued)*

(a) **Subsidiaries** *(continued)*

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) **Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

(c) **Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation *(continued)*

(c) Changes in ownership interests *(continued)*

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS accounting standards.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.3 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.5 Foreign currency translation

(a) 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 Company's functional currency is RMB, as its operations are mainly carried out in the Chinese Mainland. The consolidated financial statements are presented in HK\$, which is the Group's and the Company's presentation currency as the directors of the Company consider that HK\$ is the appropriate presentation currency for the users of the Group's financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of comprehensive income within “Other gains/(losses) – net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (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 rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the periods in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- | | |
|--------------------------|------------|
| • Plant and buildings | 5-20 years |
| • Leasehold improvements | 5 years |
| • Machinery | 3-10 years |
| • Office equipment | 3-5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

Construction in progress are stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Investment properties

Investment properties, principally leasehold office buildings, are held to earn rentals or for capital appreciation or both.

Investment property is recognised only when it is probable that economic benefits associated with the property will flow to the Group and the cost of the property can be reliably measured.

Investment properties are initially and subsequently measured using the cost method. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows.

- Office 20 years
- Carparks 20 years

Owner-occupation properties are transferred to investment properties only when there is a change of use, as evidenced by end of owner-occupation of the relevant properties. The properties transfer at the carrying amount. No gain or loss is recorded.

2.8 Intangible assets

(a) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 years.

(b) License

Acquired license is capitalised on the basis of costs incurred to acquire and are amortised over its estimated useful live of 3 years.

(c) Patent and technology

Patent and technology that the Group acquired are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent and technology over their estimated useful lives of 3 years.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

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

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains/(losses) – net" (if any), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income. Debt instruments are presented as "Trade receivables", "Other receivables", "Cash and cash equivalents" and "Restricted cash" in the consolidated statements of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(c) **Measurement** *(continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains/(losses) – net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) **Impairment**

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade 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 trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at banks. Bank deposits which are restricted to use are included in "Restricted cash at banks". Restricted cash at banks are excluded from cash and cash equivalents.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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

2.18 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

In accordance with the rules and regulations in the Chinese Mainland, the Chinese Mainland based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the Chinese Mainland under which the Group and the Chinese Mainland based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired Chinese Mainland based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the Chinese Mainland government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“**MPF Scheme**”), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The monthly contributions of each of the group company and its employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group’s contributions to the defined contribution retirement schemes are expensed as incurred.

2.20 Share-based payments

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity’s share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable of the goods or services transferred in the ordinary course of the Group’s activities.

If contracts involve the sale of multiple elements, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on the expected cost plus a margin or adjusted market assessment approach depending on the availability of observable information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

Revenue is recognised when or as the control of the goods and asset under construction is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15 to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. Such determination involves judgment and is based on an evaluation of the terms of each arrangement.

The Group accounts for the contract modification as follows:

- (i) In cases where the additional promised goods or services are distinct and the price of the contract increases by an amount of consideration that reflects the stand-alone selling prices of the additional promised goods or services, the Group should account for the contract modification as a separate contract.
- (ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract.
- (iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on or before the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on revenue is recognised as an adjustment to revenue in the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(a) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Rendering of agency services

The Group recognises revenue from agency services for purchase of goods on behalf of customers when the suppliers have delivered products to the customer, the customers have accepted the products and collectability of the related receivables is reasonably assured.

(c) Rendering of construction services for environmental and ecological restoration treatment business

The Group provides environmental and ecological restoration treatment construction services to its customers.

The Group has to identify the performance obligation in a contract. A performance obligation is a promise in a contract to transfer a good or service to a customer. The Group assessed that the construction contract only contained a single performance obligation as the construction works are not possible to be separately distinct.

When determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group performance and whether the delayed payment is for finance purpose. The period between the transfer of the promised services and payments by customers may exceed one year. Management consider that there is no significant financing component for these receivables, as such payment term is an industry practice and within normal operating cycle. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

The Group recognises revenue from a contract work progressively over time using the input method, which is based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group suffering contractual penalties or liquidated damages for late completion are taken into account in making these estimates where applicable, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The liquidated damages are treated as variable consideration under HKFRS 15 and the amounts are included in revenue to the extent that it is highly probable that contract revenue will not be reversed. Management takes into account the progress of contract works and other external factors in assessing whether there will be contractual penalties or liquidated damages for late completion, which would in turn impact the amount of revenue to be recognised in an accounting period. There are no other obligations for warranty or refunds other than those warranties which provide customers with assurance that the related contract work will function as parties intended.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, the expected loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(c) Rendering of construction services for environmental and ecological restoration treatment business *(continued)*

Progress billings are billed and recognised as trade receivables in accordance with the terms agreed between the Group and its customers. A contract asset is recognised in the consolidated statement of financial position when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed under expected credit losses model and are reclassified to receivables when the right to the consideration has become unconditional (that is, when payment is due only on the passage of time). A contract liability is recognised in the consolidated statement of financial position when the customer pays consideration before the Group recognises the corresponding revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Retention sum for contract works are settled in accordance with the terms of the respective contracts.

(d) Rendering of other services

Revenue from maintenance services is recognised over time when the service is rendered. Revenue from design and consulting services is recognised at a point in time when deliverables are accepted.

2.22 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (i) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- 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, for example, term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipments and office buildings.

Payments made for land-use rights under operating lease are recognised as right-of-use asset and is expensed in profit or loss on a straight-line basis over the period of the right of 50 years.

2.25 Interest Income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.26 Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity 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. Risk management is carried out by the financial department under policies approved by the Board.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the Chinese Mainland with most transactions being settled in RMB, which is the functional currency of the Company and its operating subsidiaries in the Chinese Mainland. Certain transactions are settled in HK\$ and US\$. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities was as follows:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Denominated in HK\$		
– Financial assets at FVPL	2,401	1,236
– Cash and cash equivalents	4,471	515
– Other receivables	303	835
– Other payables and accruals	(1,492)	(488)
	5,683	2,098
Denominated in US\$		
– Financial assets at FVPL	919	–
– Cash and cash equivalents	176	77
	1,095	77

As at 31 December 2025, if RMB strengthened/weakened by 5% (31 December 2024: 5%) against the relevant foreign currencies with all other variables held constant, post-tax loss for the year ended 31 December 2025 would have been approximately HK\$254,000 (2024: HK\$88,000) higher/lower.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from deposits and restricted cash held in banks with variable rates, which expose the Group to cash flow interest rate risk. Borrowings with fixed rates and carried at amortised cost do not expose the Group to cash flow or fair value interest rate risk.

As at 31 December 2025, if the market interest rates had been 50 basis points (31 December 2024: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year ended 31 December 2025 would have been HK\$374,000 (2024: HK\$269,000) lower/higher, mainly as a result of higher/lower interest income on deposits and restricted cash held in banks.

(iii) Price risk

The group's exposure to equity securities price risk arises from listed securities investments held by the group and classified in the consolidated statement of financial position at fair value through profit or loss (note 25). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

As at 31 December 2025, if the price of the listed securities increased/decreased by 10% (31 December 2024: 10%) with all other variables being held constant, post-tax loss for the year ended 31 December 2025 would have decreased/increased by HK\$944,000 (2024: HK\$1,115,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash at banks, trade receivables, contract assets and other receivables.

(i) Risk management

As at 31 December 2025, substantially all (31 December 2024: same) of the Group's bank deposits are deposited with major financial institutions incorporated in the Chinese Mainland and Hong Kong, which management believes are of high credit quality without significant credit risk (31 December 2024: same).

As at 31 December 2025, approximately 82.3% (31 December 2024: 75.2%) of the Group's trade receivables were due from the five largest customers. In respect of trade receivables and other receivables, periodical credit evaluations are performed taking into account the counterparty's financial position, past experience, future economic environment and other factors.

None of the Group's trade receivables and other receivables has any collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, such as actual or expected significant adverse changes in business, and financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

(ii) Impairment of financial assets

The Group has three types of assets that are subject to the expected credit loss model:

- Trade receivables;
- Contract assets; and
- Other financial assets at amortised costs

Trade receivables and contract assets

The Group applies HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance of its trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Trade receivables and contract assets (continued)

In estimating the expected credit losses, credit evaluation on individual customer is performed by management. The evaluation focused on assessing the size and background of each customer as well as pertaining to the current and future economic environment in which the customer operates. Management estimates the expected credit loss rate of each customer by performing quantitative assessment on the customer's credit rating and applies default probability and loss rates taking into account the life of trade receivables and contract assets and forward-looking information. For forward-looking information, management has identified Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI) in the Chinese Mainland as the most relevant factors, and accordingly, has adjusted the expected loss rate based on these factors. The values of the core macroeconomic factors used to evaluate expected credit losses on 31 December 2025 are as follows:

Item	Range
GDP Annual Percentage Change	4.3%-5.0%
CPI month on month	0.3%-1.5%
PPI month on month	-1.9% to 0.7%

For trade receivables that do not share same risk characteristics with others, management assesses their expected credit losses on an individual basis. The Group evaluated the distribution of expected cash flows under multiple scenarios based on current situations and forecasts of future conditions of contract counterparties under different situations, made corresponding provision for expected credit losses according to expected credit losses rate and the related probability weight under different scenarios, and prepared sensitivity analysis using reasonably possible changes of the relevant key parameters. As at 31 December 2025, trade receivables amounting to HK\$119,253,000 (31 December 2024: HK\$99,748,000) was assessed on an individual basis and the Group recognised loss allowance provision of HK\$87,315,000 (31 December 2024: HK\$60,787,000) for these trade receivables. Expect for that, trade receivables and contract assets are subject to provision for loss allowance on an collective basis.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Trade receivables and contract assets *(continued)*

On that basis, the allowance for impairment as at 31 December 2025 was determined as follows for trade receivables and contract assets:

	31 December 2025			31 December 2024		
	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rates	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rates
Individual:						
Customer A	27,679	(27,679)	100.00%	26,997	(26,997)	100.00%
Customer B	15,595	(15,595)	100.00%	15,211	(15,211)	100.00%
Customer C	57,499	(35,058)	61.00%	55,608	(16,682)	30.00%
Customer D	14,973	(5,989)	40.00%	–	–	–
Others	3,507	(2,994)	85.37%	1,932	(1,897)	98.19%
	119,253	(87,315)		99,748	(60,787)	
Collective:						
Environmental Treatment Business	59,754	(17,926)	30.00%	104,361	(4,760)	0.074% – 4.614%
Cigarette Packaging Business	29,361	(13)	0.04%	24,159	(11)	0.04%
Others	–	–		76	(1)	0.19%
	89,115	(17,939)		128,596	(4,772)	
Total	208,368	(105,254)		228,344	(65,559)	

The movement of allowance for impairment of trade receivables was as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
At beginning of the year	58,884	41,244
Net impairment charges (<i>note 8</i>)	36,494	18,995
Write off	(6,879)	(181)
Currency translation differences	1,961	(1,174)
At end of the year	90,460	58,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Trade receivables and contract assets *(continued)*

The movement of allowance for impairment of contract assets was as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
At beginning of the year	6,675	43
Net impairment charges <i>(note 8)</i>	7,909	6,737
Currency translation differences	210	(105)
At end of the year	14,794	6,675

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk.

As of 31 December 2025, some other receivables were non-performing, and the Group had individually assessed that the expected loss rates were 100% as the counterparties were experiencing significant financial difficulties or having commercial disputes with the Group's subsidiaries (note 22(a), note 22(b) and note 22(c)). Expect for that, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

The movement in allowance for impairment of other receivables was as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
At beginning of the year	64,289	11,498
Impairment charges <i>(note 8)</i>	64	53,880
Write off	–	(11)
Currency translation differences	1,510	(1,078)
At end of the year	65,863	64,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other financial assets at amortised cost *(continued)*

Trade receivables, contract assets and other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited into profit or loss.

Impairment on trade receivables, contract assets and other receivables are presented as separate item in the consolidated statement of comprehensive income.

While cash and cash equivalents and restricted cash at banks are also subject to the impairment requirement of HKFRS 9, the identified impairment losses were immaterial.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations.

The table below sets out the Group's financial liabilities by relevant maturity grouping at the end of the reporting period. Those due within 12 months equal their carrying balances, as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK\$'000	1 to 2 years HK\$'000	2 to 3 years HK\$'000	Total HK\$'000
As at 31 December 2025				
Trade and notes payables	104,609	–	–	104,609
Lease liabilities	2,241	1,233	–	3,474
Other payables and accruals*	4,479	–	–	4,479
	111,329	1,233	–	112,562
As at 31 December 2024				
Trade and notes payables	109,265	–	–	109,265
Borrowings	10,260	–	–	10,260
Lease liabilities	2,387	490	154	3,031
Other payables and accruals*	6,684	–	–	6,684
	128,596	490	154	129,240

* Excluding other tax payables and accrual for staff costs and allowances

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings plus lease liabilities less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the financial statements plus net borrowings.

No gearing ratio was presented as the Group had net cash surplus as at 31 December 2025 and 31 December 2024.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 HK\$'000
Financial assets at FVPL – listed securities	
At 31 December 2025	11,500
At 31 December 2024	13,161

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current ask price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's cash and cash equivalents, restricted cash at banks, trade receivables, other receivables, trade and notes payables, lease liabilities, borrowings and other payables and accruals approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Estimated impairment of financial assets at amortised cost and contract assets

Expected credit losses are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current and future conditions on the ability of the Group's customers to repay the debts.

For trade receivables that do not share same risk characteristics with others, the Group assesses their expected credit losses on an individual basis. The Group evaluated the distribution of expected cash flows under multiple scenarios, made corresponding provision for expected credit losses according to expected credit losses rate and the related probability weight under different scenarios. Except for that, trade receivables and contract assets are subject to provision for loss allowance on a collective basis. The Group has derived the expected loss rate by referencing to credit rating analysis and external default data to determine the probability of default of its financial assets at amortised cost and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

For details of the key assumptions and inputs used, please see Note 3.1(b)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Estimated impairment of non-current assets

Non-current assets including property, plant and equipment, intangible assets, right-of-use assets, investment properties and prepayments for non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable on the future operations and cash flows of the Group. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing:

- whether an event has occurred that may indicate that the related asset values may not be recoverable;
- whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and
- the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4.3 Estimated impairment of inventories

The Group estimates the net realisable value of inventories. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Even if the Group has made stock provision for the expected impairment at its best estimate, there is a possibility that changes in market conditions will alter the result.

4.4 Income taxes and deferred taxation

The Group is primarily subject to income taxes in the Chinese Mainland and Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

4.5 Recognition of revenue from construction services for Environmental Treatment Business

The Group recognises the revenue over time based on the percentage of completion, using input methods in accordance with HKFRS 15. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. In addition, management also takes into account other external factors in assessing the timing and cost required to complete the projects, which may in turn impact the amount of revenue to be recognised in an accounting period. The Group reviews and revises the estimates of contract revenue, budget costs and variation orders, if any, for each construction contract as the contract progresses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

The Group is principally engaged in Cigarette Packaging Business and Environmental Treatment Business in the Chinese Mainland, which are identified as reportable segments. Agency service business is not separately reviewed by the CODM and therefore it is not separately presented.

The CODM assesses the performance of the operating segments based on a measure of operating profit excluding other gains or losses arising from financial assets at FVPL, impairment of investment properties, share of loss of an associate accounted for using the equity method and net impairment losses on financial and contract assets.

Segment assets exclude financial assets at FVPL, investment properties, interest in an associate and deferred tax assets. Segment liabilities exclude current income tax liabilities and deferred tax liabilities.

Capital expenditures represent addition for the acquisition of property, plant and equipment, intangible assets, investment properties, prepayments for non-current assets and right-of-use assets.

- (a) The segment results and other segment items of the Group for the year ended 31 December 2025 were as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Unallocated HK\$'000	The Group HK\$'000
Revenue	140,586	8,268	–	148,854
Segment results	11,691	(1,773)	–	9,918
Net impairment losses on financial and contract assets	(8)	(44,459)	–	(44,467)
Other gains arising from financial assets at FVPL				5,027
Impairment of investment properties				(1,812)
Share of loss of an associate accounted for using the equity method				(22)
Operating loss				(31,356)
Finance income – net				495
Loss before income tax				(30,861)
Income tax expense				(3,233)
Loss for the year				(34,094)
<i>Other segment item</i>				
Depreciation and amortisation	7,090	773	–	7,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(continued)*

(a) *(continued)*

The segment results and other segment items of the Group for the year ended 31 December 2024 were as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Unallocated HK\$'000	The Group HK\$'000
Revenue	132,636	11,025	107	143,768
Segment results	6,618	(41,836)	107	(35,111)
Net impairment losses on financial and contract assets	(1,708)	(23,862)	(54,042)	(79,612)
Other losses arising from financial assets at FVPL				(4,895)
Share of loss of an associate accounted for using the equity method				(274)
Operating loss				(119,892)
Finance cost – net				(110)
Loss before income tax				(120,002)
Income tax credit				8,931
Loss for the year				(111,071)
<i>Other segment item</i>				
Depreciation and amortisation	7,591	1,676	–	9,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 31 December 2025 were as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	The Group HK\$'000
Segment assets	371,894	72,379	79	(194,680)	249,672
Investment properties					32,496
Financial assets at FVPL					11,500
Deferred tax assets					9,389
Total assets					303,057
Segment liabilities	74,768	246,926	-	(194,680)	127,014
Current income tax liabilities					2,407
Deferred tax liabilities					3,820
Total liabilities					133,241
Capital expenditures	2,650	-	-	-	2,650

The segment assets and liabilities at 31 December 2024 were as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	The Group HK\$'000
Segment assets	367,351	141,926	77	(196,236)	313,118
Investment properties					14,172
Financial assets at FVPL					13,161
Deferred tax assets					10,427
Total assets					350,878
Segment liabilities	74,648	267,422	-	(196,236)	145,834
Current income tax liabilities					2,524
Deferred tax liabilities					4,914
Total liabilities					153,272
Capital expenditures	4,220	1,595	-	-	5,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
At a point in time		
– Sales of cigarette packaging products	140,586	132,636
– Agency services	–	107
	140,586	132,743
Over time		
Revenue from environmental and ecological restoration contracts		
– Construction services	2,474	6,131
– Maintenance and other services	5,794	4,894
	8,268	11,025
	148,854	143,768

Except for the customers listed below, no other customers individually accounted for more than 10% of the Group's revenue for the year:

	Year ended 31 December	
	2025	2024
Customer E	48.6%	52.9%
Customer F	45.5%	37.6%

Majority of the Group's revenue were derived from customers in the Chinese Mainland for the year ended 31 December 2025 (2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE *(continued)*

(a) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Contract assets relating to construction contracts	26,496	25,859
Less: loss allowance	(14,794)	(6,675)
Total contract assets	11,702	19,184
Contract liabilities – construction services	–	2,427

(ii) Unsatisfied contracts

The Group's contracts of sales of cigarette packaging products, rendering of agency services, design and consulting services and construction services are for periods of one year or less. Contracts for construction services and maintenance services give the Group rights to consideration from customers in the amount that corresponds directly with the value to the customer of the Group's performance completed to date. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Raw materials consumed and subcontracting costs for construction contracts	5,222	13,331
Cost of inventories sold	78,360	75,361
Cost of obtaining contracts recognised in cost of sales	–	24,954
Staff costs (including directors' emoluments) (Note 9)	33,984	36,400
Depreciation and amortisation		
– Depreciation of property, plant and equipment (Note 16)	5,120	6,437
– Depreciation of Investment properties (Note 18)	734	737
– Depreciation of right-of-use assets (Note 17)	2,005	2,082
– Amortisation of intangible assets	4	11
Utilities	2,727	2,559
Auditor's remuneration		
– Audit services	1,758	2,313
– Non-audit services	131	132
Other taxes and surcharges	1,551	1,435
Expenses relating to operating leases not recognised as lease liabilities (Note 17)	50	15
Delivery costs	1,335	1,341
Other expenses	4,264	11,510
Total cost of sales, distribution costs and administrative expenses	137,245	178,618

8 NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Impairment charges on:		
– Trade receivables	36,494	18,995
– Contract assets	7,909	6,737
– Other receivables and other non-current assets	64	53,880
	44,467	79,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Salaries, wages, bonuses, welfare and other benefits	31,675	33,987
Contributions to pension plans	2,309	2,413
	33,984	36,400

(a) **Directors' emoluments**

The remuneration of each director for the year ended 31 December 2025 was set out below:

	Fees HK\$'000	Salaries and allowances HK\$'000	Employer's contribution to pension plans HK\$'000	Total HK\$'000
Year ended 31 December 2025				
Executive directors:				
Mr. Zheng Andy Yi Sheng (i)	500	122	13	635
Mr. Zheng Minsheng	400	360	–	760
Ms. Zheng Catherine Jia Lin (ii)	–	546	18	564
Non-executive director:				
Mr. Hao Jiming (iii)	–	–	–	–
Independent non-executive directors:				
Mr. Lau Kwok Hung	120	–	–	120
Mr. Fok Po Tin	120	–	–	120
Mr. Cai Xiaowen	120	–	–	120
	1,260	1,028	31	2,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of each director for the year ended 31 December 2024 was set out below:

	Fees HK\$'000	Salaries and allowances HK\$'000	Employer's contribution to pension plans HK\$'000	Total HK\$'000
Year ended 31 December 2024				
Executive directors:				
Mr. Zheng Andy Yi Sheng (i)	500	122	12	634
Mr. Zheng Minsheng	400	439	–	839
Ms. Zheng Catherine Jia Lin (ii)	–	18	1	19
Non-executive director:				
Mr. Hao Jiming	120	–	–	120
Independent non-executive directors:				
Mr. Lau Kwok Hung	120	–	–	120
Mr. Fok Po Tin	120	–	–	120
Mr. Cai Xiaowen	120	–	–	120
	1,380	579	13	1,972

(i) Mr. Zheng Andy Yi Sheng is the CEO of the Group.

(ii) Ms. Zheng Catherine Jia Lin has been appointed as an executive director of the Group with effect from 20 December 2024.

(iii) Mr. Hao Jiming resigned as the non-executive director of the Group with effect from 30 April 2025.

(b) Benefits and interests of directors

During the year ended 31 December 2025, Mr. Hao Jiming waived his emoluments for the the period from 1 January 2025 to 30 April 2025, amounting to approximately HK\$40,000. Save as disclosed, there were no other directors who waived or agreed to waive any emoluments (2024: none).

During the year ended 31 December 2025, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2024: same).

For the year ended 31 December 2025, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor were any payable (2024: same). No consideration was provided to or receivable by third parties for making available directors' services (2024: same). There were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for the year ended 31 December 2025 (2024: same).

No directors and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year ended 31 December 2025 or at any time during the year (2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(c) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2025 included three directors (2024: two directors) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining two (2024: three) individuals during the year were as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,326	2,078
Contributions to pension schemes	42	60
	1,368	2,138

The emoluments of these remaining individuals fell within the following bands:

	Year ended 31 December	
	2025	2024
Emolument bands		
Nil to HK\$1,000,000	2	3

(d) **Senior management's emoluments by band**

The senior management's emoluments excluding the directors and the five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2025	2024
Emolument bands		
Nil to HK\$1,000,000	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Foreign exchange (losses)/gains	(1,691)	1,585
Dividend income from financial assets at FVPL	248	727
Gain/(loss) from financial assets at FVPL	4,779	(5,622)
Impairment loss on investment properties	(1,812)	–
Loss on disposal of property, plant and equipment	–	(1,846)
	1,524	(5,156)

11 FINANCE INCOME/(COST) – NET

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Finance income		
Interest income from bank deposits	625	542
Interest income from other financial assets (a)	172	56
	797	598
Finance cost		
Interest expenses on borrowings	(196)	(635)
Interest expenses on lease liabilities (Note 17)	(106)	(73)
	(302)	(708)
	495	(110)

- (a) Other financial assets comprised certain non-derivative wealth management products with fixed or determinable payment terms of less than 180 days from a financial institution. As at 31 December 2025, all these financial assets were matured (31 December 2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE/(CREDIT)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

The Company's operating subsidiaries incorporated in Hong Kong are subject to income tax at a rate of 16.5% (2024: 16.5%) on the assessable profits arising in Hong Kong, except for one subsidiary of the Group which is qualifying corporation under the two-tiered profits tax rate regime. For this subsidiary, profits tax will be chargeable at 8.25% on the first HK\$2,000,000 of assessable profits and the remaining assessable profits will be subject to a rate of 16.5% (2024: same).

Pursuant to the Chinese Mainland Enterprise Income Tax Law ("EIT Law") and the Implementation Rules of the EIT Law, the income tax rate for domestic enterprises and foreign invested enterprises is 25%, effective from 1 January 2008.

On 28 December 2023, Shantou Xinda successfully renewed the High and New Technology Enterprise Certificate which was effective for three years commencing on 1 January 2023. As there is no change to the relevant laws and regulations, the directors assess and consider that Shantou Xinda will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, tax rate of 15% has been applied when considering current income tax for the period and the deferred income tax.

According to the EIT Law and Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% will be levied on the intermediate holding companies outside the Chinese Mainland when their Chinese Mainland subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the intermediate holding companies of the Chinese Mainland subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the Chinese Mainland and Hong Kong. The Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies since they had fulfilled the aforesaid conditions.

	Year ended 31 December	
	2025	2024
	HK\$'000	HK\$'000
Current income tax		
Chinese Mainland enterprise income tax	1,950	(9,768)
Deferred income tax		
Chinese Mainland enterprise income tax	1,283	917
Reversal of withholding income tax on profits to be distributed from subsidiaries in the Chinese Mainland	-	(80)
	1,283	837
	3,233	(8,931)

There were no income tax charges relating to components of other comprehensive income for the year ended 31 December 2025 (2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE/(CREDIT) *(continued)*

The tax on the Group's loss before income tax differed from the theoretical amount that would arise using the tax rate applicable to losses of the consolidated entities as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Loss before income tax	(30,861)	(120,002)
Tax calculated at applicable income tax rate of the respective companies	(8,209)	(30,243)
Tax effect of:		
– Net of expenses not deductible for income tax and income not subject to tax	437	1,682
– Additional deduction on research and development expenses	(853)	(1,212)
– Tax losses and temporary differences for which no deferred income tax asset was recognised	11,858	20,922
– Reversal of withholding income tax on profits to be distributed from subsidiaries in the Chinese Mainland	–	(80)
	3,233	(8,931)

13 LOSSES PER SHARE

(a) Basic

Basic losses per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2025	2024
Loss attributable to owners of the Company (HK\$'000)	(34,010)	(110,765)
Weighted average number of ordinary shares in issue	701,430,000	701,430,000
Basic losses per share	HK(4.85) cents	HK(15.79) cents

(b) Diluted

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Diluted losses per share equals to basic losses per share as there were no potential dilutive shares outstanding as at 31 December 2025 and 2024.

14 DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 SUBSIDIARIES

Details of the subsidiaries at 31 December 2025 were set out below:

Name	Date of incorporation	Place of operation/ establishment	Nominal value of issued share capital or registered capital	Principal activities	Attributable equity interest to the owners of the Company	
					2025	2024
Esteem Joy Limited	13 April 2015	British Virgin Islands	US\$1	Investment holding	100%	100%
Xinda Capital Limited	21 May 2013	British Virgin Islands	US\$50,000	Investment holding	100%	100%
China Environmental Holdings Limited	26 October 2016	Hong Kong	HK\$1	Investment holding	100%	100%
Xin Da (Hong Kong) Investment Trading Company Limited	13 June 2013	Hong Kong	HK\$1	Investment holding	100%	100%
Hua Xin Finance Limited	15 May 2019	Hong Kong	HK\$100	Not yet commenced formal operations	100%	100%
Xin Da High-tech Investments Limited	31 October 2019	Hong Kong	HK\$100	Investment holding	100%	100%
Shantou Xinda (a)	14 May 1992	Chinese Mainland	HK\$35,000,000	Design, printing and sale of cigarette packages	100%	100%
Huge East Investment Limited	30 May 2016	Hong Kong	HK\$1	Investment holding	100%	100%
Hongdong Treatment (b)	21 July 2016	Chinese Mainland	HK\$150,000,000 (h)	Environmental protection construction works	100%	100%
Guangdong Xinda Detection Technology Company Limited* ("Xinda Detection") (c)	26 November 2019	Chinese Mainland	HK\$35,000,000 (i)	Not yet commenced formal operations	100%	100%
Chongqing Hong Yuan Zhong Environmental Engineering Company Limited* ("Chongqing Hong Yuan Zhong") (d)	23 September 2021	Chinese Mainland	RMB100,000,000 (j)	Not yet commenced formal operations	100%	100%

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 SUBSIDIARIES *(continued)*

Details of the subsidiaries at 31 December 2025 were set out below: *(continued)*

Name	Date of incorporation	Place of operation/ establishment	Nominal value of issued share capital or registered capital	Principal activities	Attributable equity interest to the owners of the Company	
					2025	2024
Huazhang Investments Company Limited	13 November 2014	Hong Kong	HK\$17,542,125	Investment holding	51%	51%
Huazhang Biological Technology (Shanghai) Co., Ltd.* ("Huazhang Shanghai") (e)	17 December 2014	Chinese Mainland	RMB13,000,000	Biological technology research and related products trading	51%	51%
Guangdong Foxin Environmental Management Co., Ltd.* ("GD Foxin") (f)	15 July 2015	Chinese Mainland	RMB10,000,000 (k)	Environmental treatment service	51%	51%

- (a) Shantou Xinda is a wholly foreign-owned enterprise established in the Chinese Mainland with an infinite operating period.
- (b) Hongdong Treatment was registered as wholly foreign-owned enterprises under Chinese Mainland law on 21 July 2016 to be operated for 15 years up to 21 July 2031.
- (c) Xinda Detection was registered as wholly foreign-owned enterprises under Chinese Mainland law with an infinite operating period.
- (d) Chongqing Hong Yuan Zhong is a limited liability company established in the Chinese Mainland with an infinite operating period.
- (e) Huazhang Shanghai is a wholly foreign-owned enterprise established in the Chinese Mainland to be operated for 30 years up to 16 December 2044.
- (f) GD Foxin is a wholly foreign-owned enterprise established in the Chinese Mainland for 15 years up to 15 July 2030.
- (g) Registered capital of Hongdong Treatment amounting to HK\$121,180,000 is yet to be paid up as at 31 December 2025.
- (h) Registered capital of Xinda Detection amounting to HK\$35,000,000 is yet to be paid up as at 31 December 2025.
- (i) Registered capital of Chongqing Hong Yuan Zhong amounting to RMB99,100,000 is yet to be paid up as at 31 December 2025.
- (j) Registered capital of GD Foxin amounting to RMB5,267,000 is yet to be paid up as at 31 December 2025.

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK\$' 000	Leasehold improvements HK\$' 000	Machinery HK\$' 000	Office equipment HK\$' 000	Construction in progress HK\$' 000	Total HK\$' 000
At 1 January 2024						
Cost	59,190	3,686	57,535	5,057	1,043	126,511
Accumulated depreciation	(27,651)	(3,615)	(36,489)	(4,447)	-	(72,202)
Net book amount	31,539	71	21,046	610	1,043	54,309
Year ended 31 December 2024						
Opening net book amount	31,539	71	21,046	610	1,043	54,309
Additions	-	-	107	33	3,747	3,887
Disposal	-	-	(2,326)	(21)	-	(2,347)
Transfer from prepayment for non-current assets	-	-	427	-	2,861	3,288
Depreciation	(2,385)	(59)	(3,929)	(64)	-	(6,437)
Impairment	-	-	(217)	-	-	(217)
Currency translation differences	(636)	(2)	(351)	(13)	(124)	(1,126)
Closing net book amount	28,518	10	14,757	545	7,527	51,357
At 31 December 2024						
Cost	51,090	12	49,940	4,814	7,527	113,383
Accumulated depreciation	(22,572)	(2)	(34,970)	(4,269)	-	(61,813)
Impairment	-	-	(213)	-	-	(213)
Net book amount	28,518	10	14,757	545	7,527	51,357
Year ended 31 December 2025						
Opening net book amount	28,518	10	14,757	545	7,527	51,357
Additions	-	-	297	-	-	297
Transfer from construction in progress	-	-	6,116	-	(6,116)	-
Transfer to investment properties	(20,261)	-	-	-	-	(20,261)
Depreciation	(2,356)	-	(2,711)	(53)	-	(5,120)
Currency translation differences	399	3	424	13	103	942
Closing net book amount	6,300	13	18,883	505	1,514	27,215
At 31 December 2025						
Cost	31,833	13	56,600	4,922	1,514	94,882
Accumulated depreciation	(25,533)	-	(37,627)	(4,417)	-	(67,577)
Impairment	-	-	(90)	-	-	(90)
Net book amount	6,300	13	18,883	505	1,514	27,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2025, majority of the Group's property, plant and equipment were located in the Chinese Mainland (31 December 2024: same).

Depreciation of the property, plant and equipment had been charged to profit or loss as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Cost of sales	2,307	2,956
Administrative expenses	2,813	3,481
	5,120	6,437

17 LEASES

(a) Amounts recognised in the consolidated statement of financial position

(i) Right-of-use assets

	Land-use rights HK\$'000	Office buildings HK\$'000	Total HK\$'000
At 1 January 2024			
Cost	7,475	5,355	12,830
Accumulated depreciation	(2,822)	(2,642)	(5,464)
Net book amount	4,653	2,713	7,366
Year ended 31 December 2024			
Opening net book amount	4,653	2,713	7,366
Additions	–	1,616	1,616
Derecognition due to modification	–	(7)	(7)
Disposal	–	(32)	(32)
Depreciation charges	(145)	(1,937)	(2,082)
Currency translation differences	(97)	(18)	(115)
Closing net book amount	4,411	2,335	6,746
At 31 December 2024			
Cost	7,315	4,292	11,607
Accumulated depreciation	(2,904)	(1,957)	(4,861)
Net book amount	4,411	2,335	6,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES *(continued)*

(a) Amounts recognised in the consolidated statement of financial position *(continued)*

(i) **Right-of-use assets** *(continued)*

	Land-use rights HK\$'000	Office buildings HK\$'000	Total HK\$'000
Year ended 31 December 2025			
Opening net book amount	4,411	2,335	6,746
Additions	–	2,353	2,353
Depreciation charges	(144)	(1,861)	(2,005)
Currency translation differences	109	21	130
Closing net book amount	4,376	2,848	7,224
At 31 December 2025			
Cost	7,500	6,686	14,186
Accumulated depreciation	(3,124)	(3,838)	(6,962)
Net book amount	4,376	2,848	7,224

As at 31 December 2025, except for the leased office located in Hong Kong, the Group's other right-of-use assets were located in the Chinese Mainland (31 December 2024: same).

(ii) **Lease liabilities**

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Lease liabilities		
– Current	2,207	2,306
– Non-current	1,187	606
	3,394	2,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES *(continued)*

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Interest expense (included in finance cost)	106	73
Depreciation charges	2,005	2,082
Expenses relating to operating leases not recognised as liabilities (included in administrative expenses)	50	15

The total cash outflow for leases during the year ended 31 December 2025 was HK\$1,993,000 (2024: HK\$1,830,000).

18 INVESTMENT PROPERTIES

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Opening net book amount	14,172	15,223
Transfer from property, plant and equipment	20,261	–
Depreciation charges	(734)	(737)
Impairment	(1,812)	–
Currency translation differences	609	(314)
Closing net book amount	32,496	14,172

The investment properties consist of certain offices and carparks located at Guorui Convention and Exhibition Center, No. 28 Zhucheng Road, Zhuchi Subdistrict, Longhu District, Shantou City, Guangdong Province, the PRC.

Management carried out an impairment review on the investment properties as at 31 December 2025. The recoverable amounts of the offices and carparks have been determined based on fair value less cost to sell. The fair value estimation was in level 3, using market approach, and the key unobservable input was sales prices of comparable offices and carparks. Based on the results of the impairment assessment, the recoverable amount of carparks was determined to be approximately HK\$1,812,000 lower than the carrying amount, therefore an impairment loss has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2025.

The fair value of the investment properties as at 31 December 2025 was RMB34,120,000 (equivalent to HK\$37,777,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities was as follows:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Deferred income tax assets	9,389	10,427
Deferred income tax liabilities	(3,820)	(4,914)

The net movement on the deferred income tax account was as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
At beginning of the year	5,513	6,227
Tax charged to the profit or loss	(1,283)	(837)
Withholding income tax paid	1,200	219
Currency translation differences	139	(96)
At end of the year	5,569	5,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets

	Temporary difference on fair value losses of listed securities HK\$'000	Temporary difference on provision for impairment of assets HK\$'000	Other temporary difference HK\$'000	Total HK\$'000
At 1 January 2024	3,347	8,334	(104)	11,577
Tax (charged)/credited to profit or loss	(1,564)	445	202	(917)
Currency translation differences	(47)	(184)	(2)	(233)
At 31 December 2024	1,736	8,595	96	10,427
Tax (charged)/credited to profit or loss	(1,435)	271	(119)	(1,283)
Currency translation differences	23	219	3	245
At 31 December 2025	324	9,085	(20)	9,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Withholding income tax on profits to be distributed from subsidiaries in the Chinese Mainland
	HK\$'000
<hr/>	
At 1 January 2024	5,350
Tax credited to the profit or loss	(80)
Withholding income tax paid	(219)
Currency translation differences	(137)
<hr/>	
At 31 December 2024	4,914
<hr/>	
Withholding income tax paid	(1,200)
Currency translation differences	106
<hr/>	
At 31 December 2025	3,820
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As at 31 December 2025, the Group had unrecognised deferred income tax liabilities of HK\$8,787,000 (31 December 2024: HK\$7,624,000), that would otherwise be payable as withholding income tax in respect of the undistributed profits of a Chinese Mainland subsidiary. No provision has been made in respect of such withholding income tax as the directors have confirmed that such profits will not be distributed out of the Chinese Mainland in the foreseeable future. Unremitted earnings in this respect amounted to approximately HK\$175,744,000 as at 31 December 2025 (31 December 2024: HK\$152,490,000).

As at 31 December 2025, the Group had unrecognised deferred tax assets of approximately HK\$21,647,000 (31 December 2024: HK\$10,483,000) with respect to tax losses amounting to HK\$86,589,000 (31 December 2024: HK\$41,926,000) of certain subsidiaries in the Chinese Mainland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities *(continued)*

The expiry date of tax losses carried forward in respect of which deferred tax assets have not been accounted for was as follows:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Expire in 2025	–	2,769
Expire in 2026	1,423	1,423
Expire in 2027	1,308	1,308
Expire in 2028	29,230	29,230
Expire in 2029	7,196	7,196
Expire in 2030	47,432	–
	86,589	41,926

20 INVENTORIES

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Raw materials	13,062	12,948
Finished goods	8,275	12,027
	21,337	24,975
Less: provisions for inventories	(748)	(730)
	20,589	24,245

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$78,360,000 for the year ended 31 December 2025 (2024: HK\$75,361,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE RECEIVABLES

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Trade receivables (a)	181,872	202,485
Less: allowance for impairment of trade receivables	(90,460)	(58,884)
Trade receivables – net	91,412	143,601

(a) Ageing analysis of trade receivables based on date of billing at respective dates was as follows:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Within 90 days	31,001	25,872
91 days to 180 days	1,214	9,073
181 days to 365 days	1,786	6,114
Over 365 days	147,871	161,426
	181,872	202,485

- (b) The Group's trade receivables were denominated in RMB at 31 December 2025 (31 December 2024: same).
- (c) As at 31 December 2025, the Group's maximum exposure to credit risk was the carrying value of trade receivables mentioned above. The Group did not hold any collateral as security (31 December 2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Other receivables (a)	25,336	25,500
Amounts due from an associate (b)	32,407	31,609
Loan to a third party (c)	10,850	10,583
Prepayments	839	1,191
Less: allowance for impairment of other receivables, amounts due from an associate and loans to a third party	(65,863)	(64,289)
	3,569	4,594

- (a) As at 31 December 2025, other receivables mainly included RMB20,000,000 (equivalent to HK\$22,143,000) (31 December 2024: HK\$21,598,000) receivables due from an independent third party company Zhongcai Xiangrui (Beijing) Investment Management Company Limited* (中財祥瑞(北京)投資管理有限公司) (“**Zhongcai Xiang Rui**”). The amount represented a prepayment for equity investment to Zhongcai Xiang Rui. In November 2024, as the relevant investment project failed to be successfully implemented, the Group was entitled to collect the prepaid amount with accumulated interest of 4% per annum in accordance with the signed agreement. Therefore, the amount was transferred to other receivables. Considering the commercial dispute currently dealing with Zhongcai Xiang Rui, the Group expected the collectability of the amount was remote and a 100% impairment loss was provided for the year ended 31 December 2024 accordingly.
- (b) The amount represented the funds advanced to an associate, Shengshi Heng Rui (Guangdong) Technology Company Limited* (盛世恒瑞(廣東)科技有限公司) (“**Shengshi Heng Rui**”), which were unsecured, interest free and is repayable on demand but not expected to be recovered within one year. Since the funds advanced to Shengshi Heng Rui had been transferred to Zhongcai Xiang Rui, and considering the commercial dispute currently dealing with Zhongcai Xiang Rui, the Group expected the collectability of the amount was remote and a 100% impairment loss was provided for the year ended 31 December 2024 accordingly. The amounts due from an associate were denominated in RMB at 31 December 2025 (31 December 2024: same).
- (c) Loan to a third party of RMB9,800,000 (equivalent to HK\$10,850,000) (31 December 2024: HK\$10,583,000) was a loan granted to a property developer in Shantou, Guangdong Province, the Chinese Mainland, an independent third party. The loan was for obtaining good interest return and maximizing the possible return for the Group, which was in line with the Group’s business strategy and in the interest of the Company and its Shareholders as a whole. The loan was unsecured, bearing interest at 1.5% per month and repayable on 30 June 2023. The loan was fully impaired based on the lifetime expected credit loss model due to the significant financial difficulties of the borrower (31 December 2024: same). The loan to a third party was denominated in RMB at 31 December 2025 (31 December 2024: same).

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(d) The Group's other receivables were denominated in the following currencies:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Denominated in RMB	25,033	24,665
Denominated in HK\$	303	835
	25,336	25,500

(e) As at 31 December 2025, the Group's maximum exposure to credit risk was the carrying value of other receivables mentioned above. The Group does not hold any collateral as security (31 December 2024: same).

23 FINANCIAL ASSETS AT FVPL

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Listed equity securities – held for trading		
– Denominated in RMB	8,180	11,925
– Denominated in US\$	2,401	–
– Denominated in HK\$	919	1,236
	11,500	13,161

24 RESTRICTED CASH AT BANKS

As at 31 December 2025, the Group's restricted cash at banks mainly comprised deposits of HK\$42,136,000 (31 December 2024: HK\$35,901,000) as collateral for the Group's notes payable, and deposits of HK\$656,000 (31 December 2024: HK\$1,580,000) as performance guarantee letter deposits, which were all denominated in RMB.

The effective interest rate on restricted cash at banks was 1.16% (31 December 2024: 1.56%) per annum. These deposits had an original maturity of 90 days to three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Denominated in RMB	40,437	25,234
Denominated in HK\$	4,471	515
Denominated in US\$	176	77
	45,084	25,826

The Group's cash and cash equivalents of HK\$40,437,000 (31 December 2024: HK\$25,234,000) and restricted cash at banks of HK\$42,863,000 (31 December 2024: HK\$37,548,000) denominated in RMB were deposited with banks in the Chinese Mainland. The remittance of funds out of the Chinese Mainland are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

26 SHARE CAPITAL

	Number of ordinary shares	HK\$'000
<i>Ordinary shares of HK\$0.005 each</i>		
Authorised		
At 1 January 2024, 31 December 2024 and 31 December 2025	4,000,000,000	20,000
	Number of issued shares	Share capital HK\$'000
Issued and fully paid		
At 1 January 2024, 31 December 2024 and 31 December 2025	701,430,000	3,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 OTHER RESERVES

	Share premium HK\$'000	Statutory reserves HK\$'000 (a)	Exchange reserves HK\$'000	Capital reserves HK\$'000 (b)	Others HK\$'000	Total HK\$'000
Year ended 31 December 2024						
Balance at 1 January 2024	179,753	31,738	(27,608)	35,000	274	219,157
Currency translation differences	-	-	(6,668)	-	-	(6,668)
Other transfer	-	-	201	-	-	201
Balance at 31 December 2024	179,753	31,738	(34,075)	35,000	274	212,690
Year ended 31 December 2025						
Balance at 1 January 2025	179,753	31,738	(34,075)	35,000	274	212,690
Currency translation differences	-	-	6,455	-	-	6,455
Balance at 31 December 2025	179,753	31,738	(27,620)	35,000	274	219,145

(a) Statutory reserves

In accordance with relevant rules and regulations in the Chinese Mainland, all the Chinese Mainland companies that operate exclusively with foreign capitals are required to transfer an amount of not less than 10% of profit after taxation calculated under Chinese Mainland accounting standards and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

(b) Capital reserves

The Group's capital reserves represented deemed contribution by the controlling shareholder, Mr. Zheng Andy Yi Sheng, to a subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 TRADE AND NOTES PAYABLES

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Trade payables (a)	62,473	73,364
Notes payable – bank acceptance notes	42,136	35,901
	104,609	109,265

(a) Ageing analysis of trade payables based on date of billing at respective dates was as follows:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Within 90 days	60,401	69,652
91 to 180 days	224	164
Over 180 days	1,848	3,548
	62,473	73,364

(b) The Group's trade and notes payables were denominated in RMB at 31 December 2025 (31 December 2024: same).

(c) The fair value of trade and notes payables approximated their carrying amounts at 31 December 2025 (31 December 2024: same).

29 BORROWINGS

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Bank loans	–	10,260

The carrying amounts of the Group's borrowings were denominated in RMB.

The Group's borrowings were fully repaid during the year ended 31 December 2025. As at 31 December 2024, the Group's borrowings were secured by guarantees provided by the controlling shareholder and other subsidiaries of the Group, bearing an interest rate of 3.70% per annum and matured in one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 OTHER PAYABLES AND ACCRUALS

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Other tax payables	5,842	5,383
Accrual for staff costs and allowances	8,690	8,903
Other payables	4,479	6,684
	19,011	20,970

- (a) The carrying amounts of the Group's other payables and accruals were denominated in the following currencies:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Denominated in RMB	17,520	20,482
Denominated in HK\$	1,491	488
	19,011	20,970

- (b) The fair value of these balance approximated their carrying amounts at 31 December 2025 (31 December 2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of loss before income tax to cash generated from operating activities was as follows:

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Loss before income tax	(30,861)	(120,002)
Adjustments for:		
– Finance income	(797)	(598)
– Finance cost	302	708
– Depreciation and amortisation	7,863	9,267
– Other (gains)/losses – net	(1,524)	5,156
– Net impairment losses on financial and contract assets	44,467	79,612
– Impairment loss on inventory	–	741
– Impairment loss on property, plant and equipment	–	217
– Share of loss of an associate accounted for using the equity method	22	274
Changes in working capital:		
– Trade receivables	18,477	9,023
– Contract assets	–	19,562
– Trade and notes payables	(7,311)	5,358
– Contract liabilities	(2,427)	2,427
– Other payables and accruals	(2,419)	555
– Inventories	4,209	3,005
– Prepayments and other receivables	1,166	4,382
Cash generated from operating activities	31,167	19,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CASH FLOW INFORMATION *(continued)*

(b) Liabilities from financing activities

	Borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
Net debt as at 1 January 2024	(22,622)	(3,124)	(25,746)
Cash flows	12,700	1,830	14,530
Additions of lease liabilities	–	(1,616)	(1,616)
Disposal of lease liabilities	–	39	39
Foreign exchange adjustments	297	32	329
Interest expenses	(635)	(73)	(708)
Net debt as at 31 December 2024	(10,260)	(2,912)	(13,172)
Cash flows	10,567	1,943	12,510
Additions of lease liabilities	–	(2,353)	(2,353)
Foreign exchange adjustments	(111)	34	(77)
Interest expenses	(196)	(106)	(302)
Net debt as at 31 December 2025	–	(3,394)	(3,394)

32 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities.

(a) Name and relationship with related parties:

Name	Relationship
Mr. Zheng Andy Yi Sheng	Controlling shareholder, executive director and CEO of the Group
Mr. Zheng Minsheng	Executive director and the deputy general manager of the Group
Shengshi Heng Rui	Associate of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Lease liabilities		
– Mr. Zheng Andy Yi Sheng (i)	617	1,031
Other payables (ii):		
– Mr. Zheng Andy Yi Sheng	1,180	484
– Mr. Zheng Minsheng	128	128
	1,308	612
Other non-current assets		
– Shengshi Heng Rui (iii):		
Gross carrying amount	32,407	31,609
Loss allowance	(32,407)	(31,609)
	–	–

- (i) During the year ended 31 December 2025, the Group entered into certain lease agreements with Mr. Zheng Andy Yi Sheng to lease office buildings located in the Chinese Mainland. The liabilities were denominated in RMB and unsecured.
- (ii) Amount due to Mr. Zheng Andy Yi Sheng of HK\$1,165,000 (31 December 2024: HK\$469,000) was denominated in HK\$, unsecured, interest-free and repayable on demand. Except for that, other payables were directors' salaries and allowance denominated in RMB.
- (iii) Amount due from Shengshi Heng Rui was denominated in RMB, unsecured, interest-free and repayable on demand. The amount is not expected to be recovered within one year and therefore classified as other non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transaction with related parties

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Lease payments		
– Mr. Zheng Andy Yi Sheng	466	312
Interest expenses on lease liabilities		
– Mr. Zheng Andy Yi Sheng	32	28
	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Financial guarantees provided by		
– Mr. Zheng Andy Yi Sheng <i>(Note 29)</i>	–	10,260

(d) Key management compensations

Key management comprised executive directors and senior management of the Group. Their compensations were set out below.

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Salaries, wages, bonuses, welfare and other benefits	3,663	4,648
Contributions to pension plans	78	93
	3,741	4,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	129,531	126,342
	129,531	126,342
Current assets		
Prepayments and other receivables	300	300
Amounts due from subsidiaries	30,898	37,434
Cash and cash equivalents	336	122
	31,534	37,856
Total assets	161,065	164,198
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,508	3,508
Other reserves (a)	154,359	150,358
Retained earnings	1,080	9,182
Total equity	158,947	163,048
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	639	662
Other payables and accruals	1,479	488
Total liabilities	2,118	1,150
Total equity and liabilities	161,065	164,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Share premium HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Year ended 31 December 2024				
Balance at 1 January 2024	179,753	(25,831)	9,422	163,344
Loss for the year	–	–	(240)	(240)
Currency translation differences	–	(3,564)	–	(3,564)
Balance at 31 December 2024	179,753	(29,395)	9,182	159,540
Year ended 31 December 2025				
Balance at 1 January 2025	179,753	(29,395)	9,182	159,540
Loss for the year	–	–	(8,102)	(8,102)
Currency translation differences	–	4,001	–	4,001
Balance at 31 December 2025	179,753	(25,394)	1,080	155,439

GLOSSARY

“Articles of Association”	the Articles of Association of the Company
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Board Committees”	the Audit Committee, the Nomination Committee, the Remuneration Committee and the CG Committee
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules
“CG Committee”	the corporate governance committee of the Company
“Cigarette Packaging Business”	manufacturing and sales of cigarette packaging materials business
“Company” or “Huaxi”	Huaxi Holdings Company Limited
“Company Secretary”	secretary of the Company
“Director(s)”	director(s) of the Company
“Environmental Treatment Business”	environmental and ecological restoration treatment business
“FY2024”	financial year ended 31 December 2024
“FY2025” or “Year”	financial year ended 31 December 2025
“Group”	the Company and its subsidiaries
“Hongdong Treatment”	Shantou Hongdong Environmental Treatment Company Limited* (汕頭市弘東環境治理有限公司)
“HK\$”	Hong Kong dollars
“INED(s)”	independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum and Articles of Association”	the Memorandum of Association of the Company and the Articles of Association
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“PRC” or “China”	the People’s Republic of China

* For identification purpose only

“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi
“Senior Management”	the Executive Directors and those individuals whose biographical details are presented under the heading “Senior Management” in the section headed “Biographical Details of Directors and Senior Management” of this annual report
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shantou Xinda”	Shantou Xinda Colour Printing & Packaging Material Company Limited* (汕頭市信達彩印包裝材料有限公司)
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA” or “United States”	the United States of America
“US\$”	United States dollars

* For identification purpose only

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	148,854	143,768	155,387	194,536	404,559
Operating (loss)/profit	(31,356)	(119,892)	(42,856)	(58,344)	46,045
Finance income/(cost) – net	495	(110)	409	64	1,618
(Loss)/profit before income tax	(30,861)	(120,002)	(42,447)	(58,280)	47,663
Income tax (expenses)/credit	(3,233)	8,931	816	4,910	(11,188)
(Loss)/profit for the year	(34,094)	(111,071)	(41,631)	(53,370)	36,475
Attributable to:					
Owners of the Company	(34,010)	(110,765)	(41,184)	(53,107)	36,996
Non-controlling interests	(84)	(306)	(447)	(263)	(521)
	(34,094)	(111,071)	(41,631)	(53,370)	36,475
Assets, Liabilities and Non-controlling Interests					
Total assets	303,057	350,878	488,498	577,266	732,977
Total liabilities	(133,241)	(153,272)	(173,297)	(216,006)	(282,160)
Total equity	169,816	197,606	315,201	361,260	450,817
Non-controlling interests	(6,983)	(6,748)	(6,586)	(6,229)	(6,519)