



CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 377)

2025

ANNUAL REPORT



CONTENTS

	<i>Pages</i>
Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	5
Biography of Directors and Senior Management	11
Corporate Governance Report	13
Report of the Directors	32
Independent Auditor's Report	43
Consolidated Statement of Profit or Loss and Other Comprehensive Income	46
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	52
Notes to the Consolidated Financial Statements	55
Five Years Financial Summary	186
Summary of Properties	187

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yan Ruijie (*Chairman and Chief Executive Officer*)
Ms. Chen Yun
Dr. Li Dayi
Ms. Wang Xiaomei

Independent Non-Executive Directors

Mr. Mok Yi Kwo
Mr. Ding Xingfu
Ms. Zhu Fang

Audit Committee

Mr. Mok Yi Kwo (*Chairman*)
Mr. Ding Xingfu
Ms. Zhu Fang

Remuneration Committee

Mr. Ding Xingfu (*Chairman*)
Mr. Mok Yi Kwo
Ms. Zhu Fang
Mr. Yan Ruijie

Nomination Committee

Ms. Zhu Fang (*Chairman*)
Mr. Mok Yi Kwo
Mr. Ding Xingfu
Ms. Chen Yun

Company Secretary

Mr. Tam Ka Lung

Authorised Representatives

Mr. Yan Ruijie
Mr. Tam Ka Lung

Legal Advisers

Anthony Siu & Co. Solicitors & Notaries
Ocorian Law (Bermuda) Limited

Auditor

Prism Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Liaoshen Bank Company Limited
Shengjing Bank Company Limited

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Suites 2404-2405, 24th Floor
Alliance Building
130-136 Connaught Road Central
Sheung Wan
Hong Kong

CORPORATE INFORMATION *(continued)*

Principal Share Registrar and Transfer Office in Bermuda

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street, Hamilton
Pembroke, HM10
Bermuda

Hong Kong Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Stock Code

377

Company Website

<http://www.chinahuajungroup.com>

Investor Relations Contact

Email: ir@chinahuajungroup.com
Telephone: (852) 2290 9222
Fax: (852) 2390 9768

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of China Huajun Group Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2025 (the "Current Year") for the shareholders' perusal.

Highlights

For the Current Year, revenue was approximately RMB1,363.7 million, which represented an increase of approximately RMB208.8 million, or 18.1% when compared to revenue of approximately RMB1,154.9 million for the year ended 31 December 2024 (the "Last Year").

The Trading and Logistics segment remained a key revenue contributor, generating approximately RMB933.1 million (Last Year: RMB766.1 million). This growth was primarily driven by increased sales volumes of base oil and rubber products, supported by improved market prices compared with the previous year.

The overall increase in revenue was also driven by the Property Development and Investments segment. During the Current Year, the Group continued to dispose of projects and auction assets as part of its strategy to mitigate the debt crisis.

Meanwhile, the Printing segment recorded a stable trend, generating revenue of approximately RMB318.7 million (Last Period: RMB319.6 million).

Prospect

In the days to come, we shall continue to assess the situation and implement suitable plans when appropriate. The global economic prospect remains uncertain with increasing political instability and energy crisis, the economic situation in the Mainland China and globally are full of challenges. Although our property business is facing significant financial difficulties, we still persevere fearlessly, with our dedicated employees steadfastly remaining at their posts. In the face of these challenges, we hope a new dawn will attract investors and strategic shareholders. In the coming year, we shall continue to reduce the gearing ratio, accelerate disposal and sale of property assets, taking cost-saving measures and restructuring the loss making business. At the same time, we shall devote management's effort and resources to explore new financing opportunities and implement the offshore debts restructuring so as to maintain the Company and its business for the benefits of all shareholders, employees and other stakeholders as a whole.

Acknowledgement

Finally, on behalf of the board of directors of the Company, I would like to express my sincere gratitude to the shareholders, customers and business partners for their trust and support, and to all employees for their dedication and hard work!

Yan Ruijie

Chairman and Chief Executive Officer

Hong Kong, 31 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the Current Year, revenue was approximately RMB1,363.7 million, which represented an increase of approximately RMB208.8 million, or 18.1% when compared to revenue of approximately RMB1,154.9 million for the Last Year.

The Trading and Logistics segment remained a key revenue contributor, generating approximately RMB933.1 million (Last Year: RMB766.1 million). This growth was primarily driven by increased sales volumes of base oil and rubber products, supported by improved market prices compared with the previous year.

The overall increase in revenue was also driven by the Property Development and Investments segment. During the Current Year, the Group continued to dispose of projects and auction assets as part of its strategy to mitigate the debt crisis.

Meanwhile, the Printing segment recorded a stable trend, generating revenue of approximately RMB318.7 million (Last Period: RMB319.6 million).

The table below sets forth our Group's revenue by business segment for the Current Year and the Last Year:

	For the year ended 31 December 2025		For the year ended 31 December 2024	
	RMB Million	%	RMB Million	%
Printing	318.7	23.4%	319.6	27.7%
Trading and Logistics	933.1	68.4%	766.1	66.3%
Property Development and Investments	93.7	6.9%	25.2	2.2%
Others	18.2	1.3%	44.0	3.8%
	<u>1,363.7</u>	<u>100%</u>	<u>1,154.9</u>	<u>100%</u>

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

The table below sets forth our Group's revenue by geographical locations based on the location by customers for the Current Year and the Last Year:

	For the year ended 31 December 2025		For the year ended 31 December 2024	
	RMB Million	%	RMB Million	%
The PRC	1,115.3	81.8%	938.1	81.2%
The United States	97.5	7.1%	89.9	7.8%
Hong Kong	48.1	3.5%	80.9	7.0%
European countries	23.0	1.7%	23.1	2.0%
Other countries	79.8	5.9%	22.9	2.0%
	<u>1,363.7</u>	<u>100%</u>	<u>1,154.9</u>	<u>100%</u>

Set out below are details of the financial and trading prospects of the core business segments of the Group:

Printing

New Island Printing Group Company Limited ("New Island") is one of the leading and reputable printing and packaging companies in Hong Kong and the PRC. New Island produces high quality packaging and paper products with the capability to serve our international clients in the areas of beauty and cosmetics, pharmaceutical, food and beverage globally.

During the Current Year, certain beauty and cosmetics customers demanded for more packaging products and the Group expects printing business will gradually recover under challenging business environment and we will devote more resources to develop new customers.

Trading and Logistics

This segment is principally engaged in the distribution and sales of petrochemical products and provision of logistics services. This segment trades a large spectrum of petrochemical products. The Group expects stable demand of petrochemical products in Hong Kong and the PRC with our strength of strong network of suppliers which provide stable supply of products managed by our team. Most of our customers for petrochemical products are in the PRC. During the Current Year, the Group has further restructured the product mix by devoting more resources on products with higher profit margin under tighter working capital resources.

Property Development and Investments

This segment consists of land consolidation and development, property development and sales, property leasing and management, and various real estate business. Leveraging on the rich resources in the PRC, the Group used to seeking investments on various development projects with asset appreciation potential for investment and enjoys asset appreciation while generating stable revenue.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

The Property Development and Investments business is faced significant challenges and liquidity issues for our property projects. The Group is not expected to invest in or acquire new property projects, the key work in the future is to dispose of existing projects and discuss loan repayment matters with various creditors, including auctioning assets and repaying debts in kind, and if possible, to dispose of the entire property business segment, so as to reduce the indebtedness and gearing ratio of the Group.

Financial Review

Revenue

The Group's revenue for the Current Year was approximately RMB1,363.7 million, representing an increase of approximately RMB208.8 million, or 18.1%, compared to revenue of approximately RMB1,154.9 million for the Last Year. For the Current Year, the Group's major business segments, namely (1) Printing reported a revenue of approximately RMB318.7 million (Last Year: approximately RMB319.6 million); (2) Trading and Logistics reported a revenue of approximately RMB933.1 million (Last Year: approximately RMB766.1 million); and (3) Property Development and Investments reported a revenue of approximately RMB93.7 million (Last Year: approximately RMB25.2 million). We also recorded revenue of approximately RMB18.2 million (Last Year: approximately RMB44.0 million) from other operating segments during the Current Year.

The Trading and Logistics segment remained a key revenue contributor, generating approximately RMB933.1 million (Last Year: RMB766.1 million). This growth was primarily driven by increased sales volumes of base oil and rubber products, supported by improved market prices compared with the previous year.

The overall increase in revenue was also driven by the Property Development and Investments segment. During the Current Year, the Group did not invest in or acquire new property projects but continued to dispose of projects and auction assets as part of its strategy to mitigate the debt crisis.

Meanwhile, the Printing segment recorded a stable trend, generating revenue of approximately RMB318.7 million (Last Period: RMB319.6 million).

Gross profit (loss) and gross profit (loss) margin

The Group recorded a gross loss of approximately RMB105.3 million for the Current Year (Last Year: gross profit of approximately RMB14.0 million), representing a gross loss margin of 7.7% (Last Year: gross profit margin of 1.2%). During the Current Year, the Group recognised a provision for the write-down of properties held for sale of approximately RMB117.1 million (Last Year: RMB66.4 million). Excluding the effect of this provision, gross profit was approximately RMB11.8 million (Last Year: RMB80.4 million), with a gross profit margin of 0.9% (Last Year: 7.0%).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Selling and distribution expenses

For the Current Year, selling and distribution expenses decreased by approximately RMB2.7 million, or 4.6%, to RMB55.7 million, representing 4.1% of revenue, compared with RMB58.4 million, or 5.1% of revenue, in the prior year. The reduction was primarily attributable to lower staff costs, warehouse expenses and other operating expenses.

Administrative expenses

For the Current Year, administrative expenses increased by approximately RMB23.1 million, or 15.1%, to RMB176.1 million. The increase was primarily attributable to increase in legal and professional fees for implementation of the Scheme in Hong Kong and provision for legal fees for cases in the PRC.

Finance costs

Finance costs for the Current Year amounted to approximately RMB690.3 million (Last Year: RMB557.1 million). The increase was mainly due to the accrual of penalty interest on certain loan agreements, as disclosed in Note 30.

Change in fair value of investment properties

During the Current Year, the Group recorded the gain on changes in fair value of investment properties of approximately RMB393.5 million, compared with a loss of RMB408.1 million in the prior year.

As disclosed in Note 30(e), the Dalian Office Complex was enforced to judicial auction, and the set-off price of RMB1,412.7 million were applied to settle outstanding principal and related interest. As a result of this transaction, the Group recognised a gain on changes in fair value of investment properties of approximately RMB399.0 million.

Gain on deconsolidation and liquidation of subsidiaries

During the Current Year, two subsidiaries in the PRC were in net liabilities position and financially insolvent, gains of approximately RMB670.1 million were recognised in the consolidated profit or loss, upon liquidation and deconsolidation of the relevant subsidiaries.

Gain on debt restructuring

During the Current Year, the Scheme was sanctioned by the High Court and certain indebtedness of the Group were derecognised and remeasured, and a gain on approximately RMB423.1 million was recognised in the consolidated profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Loss for the year

As a combined effect of the above, during the Current Year, the Group recorded a loss attributable to shareholders of the Company of approximately RMB234.1 million, as compared to a loss of approximately RMB1,263.4 million for the Last Year.

Liquidity, financial resources and capital structure

Shareholders' funds

Total shareholders' funds had recorded deficiency of approximately RMB7,702.2 million as at 31 December 2025, as compared to deficiency of approximately RMB7,586.3 million as at 31 December 2024.

Financial position

As at 31 December 2025, the Group had current assets of approximately RMB1,549.4 million (Last Year: approximately RMB2,035.2 million) comprising cash and cash equivalents of approximately RMB34.8 million (Last Year: approximately RMB36.3 million), and current liabilities of approximately RMB10,545.1 million (Last Year: approximately RMB12,276.6 million). The Group's current ratio (defined as current assets divided by current liabilities) was 0.15 (Last Year: 0.17).

Our gearing ratio, expressed as a percentage of interest-bearing liabilities to total assets, was at 115.1% as at 31 December 2025 as compared to 103.7% as at 31 December 2024.

Cash and cash equivalents

As at 31 December 2025, our Group had cash and cash equivalents of approximately RMB34.8 million (31 December 2024: approximately RMB36.3 million), most of which were denominated in Renminbi.

Borrowings

As at 31 December 2025, the Group had interest-bearing bank borrowings and other borrowings of approximately RMB3,478.1 million (31 December 2024: approximately RMB4,916.6 million). Of these borrowings, approximately RMB3,473.1 million (31 December 2024: approximately RMB4,911.6 million) were secured by the Group's assets. Most of the borrowings were denominated in Renminbi.

Capital expenditure

For the Current Year, the Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and right-of-use assets totaling of approximately RMB7.0 million (Last Year: approximately RMB6.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Pledge of assets

As at 31 December 2025, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB64.6 million, RMB127.2 million, RMB230.5 million, RMB218.2 million, RMB0.9 million and RMB6.5 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

Foreign Exchange Risk Management

The Group is exposed to foreign currency risk on bank balances and cash, trade and other receivables and trade and other payables that are denominated in currencies other than the functional currency of the operations to which they relate. The Directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates.

Capital Commitment

As at 31 December 2025, the Group had a total capital commitment of approximately RMB409.4 million (31 December 2024: approximately RMB674.2 million), mainly comprising the related contracts of capital expenditure for property development and investment projects and acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 December 2025, the Group has several outstanding legal proceedings with creditors, construction contractors, customers and suppliers against the Group in the PRC. Apart from disclosed in note 30, the Directors consider that other legal proceedings raised in daily operations would not have significant financial impact to the Group.

Environmental Policies and Performance

The Group recognises environmental protection is of vital importance to the long-term development of the Group. In order to minimise the environmental impact, the Group will continue to review and improve the effectiveness of its management practices from time to time.

A separate report "Environmental, Social, and Governance Report" has been published and available on the Group's website at <http://www.chinahuajungroup.com> and on the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk>.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yan Ruijie (閔銳杰先生), aged 40, joined the Company in 2014 and has been appointed as a Executive Director of the Company on 17 June 2021 and has been re-designated to the Chief Executive Officer of the Company on 7 June 2022. Mr. Yan is also a member of the Remuneration Committee of the Company as at the date of this annual report. He graduated from 瀋陽農業大學 (Shenyang Agricultural University) and obtained the first-level construction engineer qualification certificate in 2017 and the senior engineer certificate in 2019. Prior to joining the Company, Mr. Yan has worked in several property development companies in Yingkou City, Liaoning Province. He successively served as the Company's regional general manager, and general manager of the property group. He has extensive experience in property development. He is also a director of certain subsidiaries of the Company and Huajun Group Limited, the controlling shareholder of the Company.

Ms. Chen Yun (陳雲女士), aged 42, joined the Company in May 2017 and has been appointed as an Executive Director on 31 March 2023. Ms. Chen is also a member of the Nomination Committee of the Company. She holds a bachelor degree in financial management from Yangzhou University (揚州大學) in the PRC. Prior to joining the Company, Ms. Chen has worked as the financial manager in several property development companies in Zhejiang and Jiangsu Provinces respectively. She served as the Company's financial controller of the Group's property segments. She has extensive experience in financial management.

Dr. Li Dayi (李大一博士), aged 47, has been appointed as an Executive Director on 27 June 2025. Dr. Li holds a PhD from the University of the Chinese Academy of Sciences (formerly the Graduate School of the Chinese Academy of Sciences) and completed postdoctoral research at Texas A&M University in the United States. Dr. Li has extensive international research and management experience, having worked at New York University and MET Tech Inc. during his time in the United States. Prior to joining the Company, Dr. Li held positions at the Changchun Institute of Applied Chemistry of the Chinese Academy of Sciences, Jiangsu Jingzhan Optoelectronics Technology Co., Ltd. and the Nanjing Software Technology Research Institute of the Chinese Academy of Sciences.

Ms. Wang Xiaomei (王曉梅女士), aged 50, has been appointed as an Executive Director on 27 June 2025. Ms. Wang obtained a vocational diploma in shipbuilding and repair from Wuxi Shipbuilding Industry School in Jiangsu Province. She has accumulated years of relevant work experience in engineering design and research, as well as in corporate operations and management. She has previously worked at the Jiangsu Provincial Institute of Engineering Survey and Research and served as the department director at the Yangzhou University Engineering Design Research Institute.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent Non-executive Directors

Mr. Mok Yi Kwo (莫儀戈先生), aged 47, has been appointed as an Independent Non Executive Director on 1 April 2023. Mr. Mok is also the Chairman of the Audit Committee and a member of Nomination Committee and Remuneration Committee of the Company. Mr. Mok is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants (CPA). Mr. Mok is also a fellow member of the Association of Chartered Certified Accountants. Mr. Mok holds a Bachelor Degree in Business Administration in Accounting and Finance from The University of Hong Kong. He is now running a CPA firm which provides a wide range of professional services in Hong Kong. Before running his own firm, he has been taking up various senior position in various international accounting firms in Hong Kong. Mr. Mok has extensive professional experience in the fields of auditing, accounting, taxation, financial advisory and management for over 20 years.

Mr. Ding Xingfu (丁興福先生), aged 43, has been appointed as an Independent Non Executive Director on 21 November 2024. Mr. Ding is also the Chairman of the Remuneration Committee and a member of Nomination Committee and Audit Committee of the Company. Mr. Ding pursued tertiary education in pharmaceutical and chemical at Lianyungang Technical College in China. He has extensive experience in marketing and promotion and corporate management. He has founded Yangzhou Shuangjing Tools Limited* (揚州雙精工具有限公司) and Yangzhou Jingzhan Intelligent Technology Limited* (揚州精湛智能科技有限公司), and served as the general manager of the companies. Mr. Ding has previously served as the general manager of the instrument division of Jiangsu Jingzhan Optoelectronic Instrument Company Limited* (江蘇精湛光電儀器股份有限公司). Mr. Ding is currently the legal representative and the project director of Jiangsu Kunrui Digital Technology Group Limited* (江蘇坤睿數字科技集團有限公司).

Ms. Zhu Fang (朱芳女士), aged 41, has been appointed as an Independent Non Executive Director on 27 June 2025. Ms. Zhu has extensive experience in corporate management consulting, mergers and acquisitions, equity financing, asset investment management and corporate governance. Ms. Zhu graduated from Nanjing University of Science and Technology with a bachelor's degree in e-commerce and logistics, and obtained a master's degree in engineering from Beijing University of Science and Technology. Ms. Zhu holds a national board secretary qualification certificate. Ms. Zhu has previously served as assistant to the general manager and deputy director of the marketing department of Nanjing Shengnuo Heat Pipe Co., Ltd. of Sunpower Group and the regional general manager of financial business of Jiangsu Hoperun Software Co., Ltd. (a company listed on the Shenzhen Stock Exchange Growth Enterprise Market). Ms. Zhu is currently the chairman and general manager of Jiangsu Everglory Asset Management Co., Ltd., a Director of Jiangsu Huaxia Agriculture Foundation, and the Vice Chairman of Nanjing Jinshi Legal Mediation Service Center.

Senior Management

Mr. Tam Ka Lung (譚家龍先生), aged 47, is the Chief Financial Officer and Company Secretary of the Company. He graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration (Hons) Accounting degree. Mr. Tam is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tam has extensive experience in auditing, financial management, corporate governance, merger and acquisitions and IPO. Prior to joining the Company, Mr. Tam has worked in KPMG Hong Kong and his last position before leaving was audit senior manager. He joined the Company in November 2014. He is also a director of several subsidiaries of the Company.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board believes that good corporate governance practices are increasingly important for maintaining and promoting the confidence of the Shareholders. The Company is committed to ensuring a high standard of corporate governance. The Board reviews the corporate governance practices of the Group from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

The Company has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) for the Current Year, save and except for the Code Provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Details of the deviation as explained in section headed “Chairman and Chief Executive” with considered reason in this corporate governance report.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors (“Model Code”) set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Current Year.

Board of Directors

Responsibilities

The Board is responsible for establishing strategic directions, setting objectives and business plans and monitoring business performance. The management is responsible for the day-to-day management and operations of their respective individual business units.

The Board has established a schedule of matters specifically reserved to the Board for its decisions and those reserved for the management. The Board reviews this schedule from time to time to ensure that it remains appropriate to the needs of the Group.

CORPORATE GOVERNANCE REPORT *(continued)*

Board Composition

The composition of the Board of the Company during the Current Year and up to the date of this annual report is set out below:

<i>Executive Directors</i>	Mr. Yan Ruijie (<i>Chairman and Chief Executive Officer</i>) Ms. Chen Yun Dr. Li Dayi (Appointed on 27 June 2025) Ms. Wang Xiaomei (Appointed on 27 June 2025)
<i>Independent Non-Executive Directors (INEDs)</i>	Mr. Shen Ruolei (Retired on 27 June 2025) Mr. Mok Yi Kwo Mr. Ding Xingfu Ms. Zhu Fang (Appointed on 27 June 2025)

Note: None of the Board members is related to one another.

The biographical details of the Directors are set out under the section headed “Biography of Directors and Senior Management” on pages 11 to 12 of this annual report. The list of Directors and their respective role and function are currently available on the Group’s website at <http://www.chinahuaajungroup.com> and on HKEx’s website at <http://www.hkex.com.hk>.

Independent Non-executive Directors

Throughout the Year, the Company had three INEDs, meeting the requirements of the Listing Rules that the Board must include at least three INEDs and the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has entered into an appointment letter with the Company pursuant to which each of Mr. Mok Yi Kwo, Mr. Ding Xingfu and Ms. Zhu Fang is appointed for a specific term of two years. The appointment is subject to re-election and shall be automatically renewed for successive terms of two years respectively unless terminated by either party in writing prior to the expiry of the term.

The broad spectrum of background of the independent non-executive Directors is valuable on the diversified perspectives in the Board. They come from diverse business and professional backgrounds. They have experiences in general management to professional knowledge, from PRC business to global enterprise. All of them have proven experiences in corporate strategies, risk management and corporate governance.

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his/her independence and is satisfied that each of them continues to be independent in accordance with Rule 3.13 of the Listing Rules. Based on such confirmation and not aware of any adverse event, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Saved as disclosed above and as at the date of this annual report, no independent non-executive directors of the Company serve the Board more than 9 years.

CORPORATE GOVERNANCE REPORT *(continued)*

Chairman and Chief Executive

The Chief Executive Officer (CEO) is responsible for day-to-day management of the business of the Group, whilst the Chairman provides leadership for the Board to ensure that the Board acts diligently and in the best interests of the Group, and that meetings are planned and conducted effectively. The Chairman is also responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors. The Chairman also actively encourages the Directors to make full contributions and actively participate in the Board's affairs. It is also the responsibility of the Chairman to ensure that good corporate governance practices and procedures are established.

Deviation of Code provision C.2.1 of the CG Code

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yan has been re-designated as the Chairman and the CEO of the Company since 28 June 2023. He has been managing the Group's business and supervising the overall operations of the Group since 2021. The Board considers that vesting the roles of the Chairman and the CEO in Mr. Yan is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. As at 31 December 2025, the Board has a total of seven Directors and three of them are INEDs who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with all the Board members who meet on a regularly basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the three INEDs on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and consider splitting the roles of the Chairman and the CEO at a time when it is appropriate and suitable by considering the circumstances of the Group as a whole.

Save as disclosed above, the Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code. The current practices are reviewed and updated regularly to be in line with the local and international corporate governance practices.

CORPORATE GOVERNANCE REPORT *(continued)*

Board Proceedings

The Board meets no less than four times a year to review, inter alia, the financial and operational performance of the Group. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to the meeting in accordance with the Listing Rules and the CG Code. The Board has established a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses. Appropriate insurance policy and cover for Directors have been arranged as well.

There were four Board meetings, one annual general meeting and one special general meeting held in the Current Year. Apart from regular Board meetings, the Chairman of the Board also held a meeting with INEDs without presences of Executive Directors during the Current Year. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each director of Board meetings and general meetings during the Current Year is set out below:

Directors	Attendance of Board meetings	Attendance of general meetings
<i>Executive Directors:</i>		
Mr. Yan Ruijie	4/4	2/2
Ms. Chen Yun	3/4	2/2
Dr. Li Dayi (<i>Note 2</i>)	1/2	N/A
Ms. Wang Xiaomei (<i>Note 2</i>)	1/2	N/A
<i>Independent Non-executive Directors:</i>		
Mr. Shen Ruolei (<i>Note 1</i>)	1/2	1/2
Mr. Mok Yi Kwo	4/4	2/2
Mr. Ding Xingfu	3/4	2/2
Ms. Zhu Fang (<i>Note 2</i>)	1/2	N/A

Notes:

1. Mr. Shen Ruolei was retired on 27 June 2025.
2. Dr. Li Dayi and Ms. Wang Xiaomei were appointed as executive Director on 27 June 2025 and Ms. Zhu Fang was appointed as appointed as an independent non-executive Director on 27 June 2025.
3. The special general meeting was held on 26 March 2025 and the annual general meeting was held on 27 June 2025.

CORPORATE GOVERNANCE REPORT *(continued)*

Appointment, Re-election and Retirement of Directors

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board subject to authorisation by the shareholders in general meetings. Any Director appointed by the Board shall hold office until the next following general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Bye-laws of the Company, 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 at each annual general meeting, provided that every Director (including those appointed for a specified term) shall be subject to retirement at least once every three years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Continuous Professional Development

The Company provides a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Three Directors appointed during the year ended 31 December 2025, namely, Dr. Li Dayi, Ms. Wang Xiaomei and Ms. Zhu Fang, each of them had obtained the legal advice on 2 June 2025 in compliance with Rule 3.09D of the Listing Rules. They have confirmed that they understood their obligations as a director of a listed issuer.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary.

During the Current Year, all Directors proactively participated in continuous professional training including the professional training and reading materials provided by the Company and developed and updated their knowledge and skills to ensure that their contribution to the Board remained comprehensively informed and relevant. The Company has received confirmation from all Directors of their respective training records for the Current Year.

CORPORATE GOVERNANCE REPORT *(continued)*

Board Independence Mechanism

The Group recognises that the Board independence is significant in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input to the Board for enhancing any objective and effective decision making.

The following board independence mechanisms are reviewed annually by the Board, through the committees of the Company, to ensure their effectiveness:

1. During the Current Year, three out of the seven Directors are Independent Non-Executive Directors (INEDs), which meets the requirements of the Listing Rules that the Board must have at least three INEDs and must appoint INEDs representing at least one-third of the Board.
2. All the committees of the Company, i.e. the Audit Committee, the Nomination Committee and the Remuneration Committee are chaired by one of the INEDs of the Company.
3. All the Audit Committee members are INEDs, whilst they are not participated in daily operations of the Group.
4. The Nomination and Remuneration Committee will assess the independence, experience, qualification and time commitment of a candidate who is nominated to be a new INED before appointment as and when required and also the continued independence of existing INEDs and their time commitments annually. On an annual basis, all INEDs are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules.
5. External independent professional advice is available as and when required by individual Directors.
6. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.
7. A Director (including INED) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate actions.

Diversity of the Board

The Company recognises that increasing diversity at the Board level will maintain the competitive advantages and support the sustainable development of the Company. The Board and the Nomination Committee have adopted a board diversity policy to achieve a sustainable and balanced development of the Company.

CORPORATE GOVERNANCE REPORT *(continued)*

Implementation

The Nomination Committee monitors the implementation of the board diversity policy to ensure its effectiveness from time to time. In designing the Board's composition, selection of candidates has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director.

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Measurable Objectives

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendations to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and board succession planning, as applicable.

Composition of the Diversified Board

As at the date of this annual report, the Board comprises seven directors and one senior management. The following table further illustrates the composition and diversity of the Board in terms of age, length of service with the Group, educational background and professional experience as of the date of this annual report:

	Age Group		Educational Background in			Professional Background in				Years of serving the Board
	30-45	46-60	Science	Finance	Engineering	Science	Finance	Engineering	Management	
Directors										
Mr. Yan Ruijie	✓				✓			✓	✓	4 years
Ms. Chen Yun	✓			✓			✓		✓	3 years
Dr. Li Dayi		✓	✓			✓			✓	10 months
Ms. Wang Xiaomei		✓			✓			✓	✓	10 months
Mr. Mok Yi Kwo		✓		✓			✓		✓	3 years
Mr. Ding Xingfu	✓				✓				✓	1 year
Ms. Zhu Fang	✓			✓	✓		✓		✓	10 months
Senior Management										
Mr. Tam Ka Lung ^(Note)		✓		✓			✓		✓	7 years

Note: Mr. Tam Ka Lung has been appointed as the Chief Financial Officer and Company Secretary of the Company since 2018.

The Company considers that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. All board members appointments will be based on meritocracy. Candidates will be considered against objective criteria and having due regard for the benefits of diversity on the Board. The Nomination Committee will review the board diversity policy periodically, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT *(continued)*

Gender Diversity

The Company has met gender diversity in its Board and currently has three female Directors and four male Directors. The proportion of female members of the Board was 42.86%. Depending on the business needs of the Group, the Board will take opportunities to increase the proportion of female members over time as and when appropriate candidates are identified. As at the date of this annual report, the Board is of the view that the Board of the Company satisfies the board diversity policy.

Details of the Group's gender diversity at workforce level are set out in the Group's ESG report published separately.

Nomination Policy

The Company has adopted a policy for the nomination of directors (the "Nomination Policy"). In accordance with the CG Code, it set out the selection criteria and procedures in relation to the nomination and appointment of Directors of the Company, aims to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to requirements of the Company.

The Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of directors of the Company rests with the entire Board.

The Nomination Policy set out the non-exhaustive factors and criteria in evaluating and selecting candidates for directorships, including but not limited to the followings:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

The Nomination Policy also set out the procedures for the selection and appointment of new directors and re-election of Directors at general meetings.

The Nomination Committee will review the Nomination Policy regularly and as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT *(continued)*

BOARD COMMITTEES

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) was established in 2005 pursuant to the recommendations of the CG Code. The primary duties of the Remuneration Committee includes assisting the Board to oversee the establishment and operation of formal and transparent procedures for developing the remuneration packages of directors and senior management of the Company and recommend to the Board the remuneration packages of Directors, including individual executive Directors, and senior management of the Company. The Remuneration Committee’s authority and duties are set out in written terms of reference, which have been revised by the Board on 15 December 2022 that are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEX”).

As at 31 December 2025, the Remuneration Committee consists of 4 members, namely Mr. Ding Xingfu, who is the chairman of the Remuneration Committee, Mr. Yan Ruijie, Mr. Mok Yi Kwo and Ms. Zhu Fang. The majority of the members of the Remuneration Committee are independent non-executive Directors.

The Company aims to design a remuneration policy that attracts and retains executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies of the Group while at the same time taking into account the performance of the individuals. The remuneration should reflect, inter alia, the performance and responsibilities of the individuals; and the remuneration packages are structured to include salary, bonus and other benefits to provide incentives to directors and senior management of the Group and to improve their individual performance.

For the Current Year, the remuneration of individual Directors is disclosed by name in note 14 to the consolidated financial statements, while the remuneration of senior management is disclosed by bands as follows:

	Year ended 31 December 2025	Year ended 31 December 2024
	Number of individuals	Number of individuals
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>1</u>

CORPORATE GOVERNANCE REPORT *(continued)*

The Remuneration Committee met once during the Current Year and the work carried out by the Remuneration Committee included the following:

- reviewed the remuneration policy of the Group;
- reviewed the specific remuneration packages of the Directors including executive Directors and senior management of the Group for the Current Year;
- reviewed the written terms of reference for the purpose of being in line with the requirement of the CG Code; and
- reviewed the share schemes under Chapter 17 of the Listing Rules.

All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each member of the Remuneration Committee at the Remuneration Committee meeting during the Current Year is set out below:

Remuneration Committee Members	Attendance
Mr. Ding Xingfu (<i>Chairman</i>)	1/1
Mr. Mok Yi Kwo	1/1
Mr. Shen Ruolei (<i>Note 1</i>)	1/1
Mr. Yan Ruijie	1/1
Ms. Zhu Fang (<i>Note 2</i>)	N/A

Notes:

1. Retired on 27 June 2025.
2. Appointed as the member on 27 June 2025.

CORPORATE GOVERNANCE REPORT *(continued)*

Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) was established in 2012, pursuant to the recommendations of the CG Code. The primary duties of the Nomination Committee includes making recommendations to the Board on the appointment and re-appointment of directors, structure, size and composition of the Board and to maintain a balance of skills, experience and diversity of perspectives on the Board which are appropriate to the requirements of the Company’s business. The Nomination Committee’s authorities and duties are set out in written terms of reference, which have been revised by the Board on 31 March 2025 that are available on the websites of the Company and HKEX.

As at 31 December 2025, the Nomination Committee consists of 4 members, namely Ms. Zhu Fang, who is the chairman of the Nomination Committee, Ms. Chen Yun, Mr. Mok Yi Kwo and Mr. Ding Xingfu. The majority of the members of the Nomination Committee are independent non-executive Directors.

The Board adopted a board diversity policy (the “Board Diversity Policy”) with the primary objective of enhancing the effectiveness of the Board and its corporate governance standard. The Company recognizes the importance of having a diverse team of Board members, which is an essential element in maintaining a competitive advantage. The Nomination Committee has been delegated the authority to review and assess the diversity of the Board and its skills and experience by considering a number of factors including but not limited to, gender, age, cultural and educational background, and professional experience. When identifying and selecting suitably qualified candidates for recommendation to the Board, the Nomination Committee will give consideration to the Board Diversity Policy whereby selection of candidates will be based on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee reviews and monitors the implementation of the Board Diversity Policy and makes recommendation to the Board as appropriate.

The Nomination Committee met twice during the Current Year and the work carried out by the Nomination Committee included the following:

- reviewing the structure, size and composition of the Board;
- identifying individuals qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships;
- assessing the independence of independent non-executive Directors;
- recognising the importance of having a broad complement of skills, experience and professional knowledge on the Board;
- reviewing Board Diversity Policy and the measurable objectives for nomination policy and the Board Diversity Policy; and
- make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee formed the view that the Board has maintained an appropriate mix and balance of skills, knowledge, experience, expertise and diversity of perspectives appropriate to the business requirements of the Company during the Current Year.

CORPORATE GOVERNANCE REPORT *(continued)*

All business transacted at the above meeting has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each member of the Nomination Committee Meeting during the Current Year is set out below:

Nomination Committee Members	Attendance
Mr. Shen Ruolei <i>(Chairman) (Note 1)</i>	1/2
Ms. Zhu Fang <i>(Chairman) (Note 2)</i>	N/A
Ms. Chen Yun <i>(Note 3)</i>	1/2
Mr. Mok Yi Kwo	2/2
Mr. Ding Xingfu	2/2
Mr. Yan Ruijie <i>(Note 4)</i>	N/A

Notes:

1. Retired on 27 June 2025.
2. Appointed as the Chairman on 27 June 2025.
3. Appointed as the member on 31 March 2025.
4. Ceased to be the member on 31 March 2025.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established in 2004 pursuant to the recommendations of the CG Code. The primary duties of the Audit Committee includes assisting the Board to monitor integrity of financial statements, oversee the relationship between the Company and its external auditors, ensure effective risk management and internal control systems of the Group are in place and good corporate governance standards and practices are maintained within the Group. The Audit Committee's authority and duties are set out in written terms of reference, which have been revised by the Board on 21 December 2018 and are available on the websites of the Company and HKEX.

During the Current Year and up to the date of this report, the Audit Committee comprises 3 independent non-executive Directors and reports directly to the Board. The Audit Committee meets regularly with the Group's senior management and the Company's external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company.

The Audit Committee held two meetings during the Current Year and the work carried out by the Audit Committee included the following:

- reviewing the audited consolidated financial statements of the Group;
- reviewing the unaudited interim financial report of the Group;

CORPORATE GOVERNANCE REPORT *(continued)*

- reviewing and discussing with the Company’s external auditor in respect of the audit plan for the consolidated financial statements of the Group;
- reviewing and discussing with the senior management of the Group and the external auditor of the Company major accounting, audit, risk management and internal control issues;
- reviewing and discussing with the senior management of the Group the corporate governance practices and compliance issues of the Group;
- reviewing the independence and objectivity of the external auditor of the Company;
- monitoring the non-audit services undertaken by the Company’s external auditor or their affiliates;
- reviewing and approving the remuneration and terms of engagement of the external auditor of the Company;
- reviewing and discussing with the Company’s internal audit consultant in respect of the internal audit findings and recommendations;
- performing corporate governance duty delegated by the Board; and
- reviewed the Anti-Corruption Policy and the Whistleblowing Policy for the Group.

All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each member of the Audit Committee at the Audit Committee meeting during the Current Year is set out below:

Audit Committee Members	Attendance
Mr. Mok Yi Kwo (<i>Chairman</i>)	2/2
Mr. Shen Ruolei (<i>Note 1</i>)	1/2
Mr. Ding Xingfu	2/2
Ms. Zhu Fang (<i>Note 2</i>)	1/2

Notes:

1. Retired on 27 June 2025.
2. Appointed as the member on 27 June 2025.

The Audit Committee meets with the chief financial officer, chief executive officer and other management of the Group from time to time for the purposes of reviewing the financial results, the interim and annual reports, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations with the management, the Group’s internal and external auditors, with a view to ensuring that the Group’s consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards. It also meets with the Company’s external auditor, Prism Hong Kong Limited, to consider their report on the scope, strategy, progress and outcome of audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, separately without the presence of the management.

CORPORATE GOVERNANCE REPORT *(continued)*

Corporate Governance Functions

The Board has the overall responsibility for the corporate governance of the Group and reviews its effectiveness, and adopts all necessary and appropriate actions, to maintain sufficient and effective corporate governance policy and functions from time to time. The Audit Committee assists the Board in the review of the corporate governance policy and functions to ensure the upholding of good corporate governance which are of the best interests of the Shareholders and the Group.

The Audit Committee has, during the Current Year, made arrangements to review the Group's the policies and practices on corporate governance and make recommendations to the Board, to review and monitor the policies and practices of the Group on compliance with legal and regulatory requirements, and to review the compliance by the Group with the CG Code and the disclosure requirements for the Corporate Governance Report. During the Current Year, the Board has reviewed the Company's policies and practices on corporate governance.

Financial Reporting

Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the Listing Rules. The statement of the external auditors of the Company, Prism Hong Kong Limited (the "Auditors"), about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 43 to 45. The Auditors issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Group for the year ended 31 December 2025 as set out in the paragraph headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report.

The Auditors had raised concern on the Group's ability to operate as a going concern and the winding up petition raised by a bond holder against the Company at the Court of First Instance of the High Court of Hong Kong. In order to address this concern, the Company has and will, among other things, taken the steps as disclosed in note 2 to the consolidated financial statements.

Based on the above, in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position. The Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months taking into account the assumptions and measures to be taken as disclosed in note 2 to the consolidated financial statements. Therefore is of the view that the Group would be able to continue as a going concern. In addition, the Company is undergoing an offshore debts restructuring by way of scheme of arrangement. The Company will implement the scheme of arrangement to object the aforesaid petition. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered and accepted the Auditors' rationale and understood their consideration in arriving their opinion. The Audit Committee agreed with the disclaimer of opinion expressed by the auditor of the Company. The Audit Committee has reviewed and agreed with the management's position that is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the facts and assumptions disclosed in note 2 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT *(continued)*

Auditor's Remuneration

During the Current Year, the Company's auditor, Prism Hong Kong Limited, charged the Group RMB1.6 million (2024: RMB1.6 million) for audit services.

Non-audit services of RMB0.4 million (2024: RMB0.5 million) were incurred by subsidiaries for taxation and advisory services performed by subsidiaries' auditor other than the Company's auditor.

Company Secretary

Mr. Tam Ka Lung, the Company Secretary of the Company, is employed on a full time basis. The biographical details of Mr. Tam are set out under the section headed "Biography of Directors and Senior Management" in this annual report.

During the Current Year, Mr. Tam has taken no less than 15 hours of the relevant professional training. Our Company Secretary coordinates and supplies information to the Directors. Our Company Secretary ensures that board procedures and all board meetings are complied with for all applicable rules and regulations.

Risk Management and Internal Control

The Board has the ultimate responsibility for the Group's risk management and internal control systems, which are managed through the evaluation and determination of the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives; examining its effectiveness, and to adopt all necessary and appropriate actions, to maintain sufficient and effective risk management and internal control systems from time to time.

An independent service provider was appointed to assist the Board to monitor the effectiveness of the risk management and internal control system of the Group. The service provider performed annual risk management and internal control review of the procedures, systems and controls of the Company in accordance with "Internal Control Integrated Framework". A risk management and internal control review report was submitted to the Audit Committee and the Board on a yearly basis so that remedial actions can be taken by formalising management policies to manage external and internal risks in a systematic and timely manner.

In recent years, the recognition of the environmental, social and governance ("ESG") factors in risk management being increasing. ESG-related risks can cause material impacts on the financial performance and reputation of the Group. As a result, the Board would take into account the ESG factors faced by the Group through the internal audit function by identifying, evaluating and modifying the significant or potential risks, in order to enhance the risk management and internal control system of the Group.

The Audit Committee assists the Board in the review at least annually, which covers operational, financial and compliance controls and risk management functions, in order to maintain an adequate and effective risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

CORPORATE GOVERNANCE REPORT *(continued)*

The Directors have made arrangements to review the Group's risk management and internal control systems as well as the adequacy of resource, qualification and experience of the staff of the Group's accounting and financial reporting function for the Current Year. The purpose of the review was to provide a reasonable assurance on the effectiveness and efficiency of the Group's operations in achieving the established corporate objectives, to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records of the Group for the provision of reliable financial information for internal use and for publication, and to ensure the Group's compliance with relevant legislation and regulations.

The Board considered that the risk management and internal control systems of the Group are effective in material respect but have areas for improvement to enhance the implementation of internal control procedures.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

1. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012 and the provisions set forth in the Policy on Disclosure of Inside Information of the Company.
2. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, nonexclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website.
3. The Group has strictly prohibited the unauthorized use of confidential or inside information.

Anti-Corruption Policy and Whistleblowing Policy

The Group has established (i) policy and measures that promote and support anti-corruption laws and regulations; and (ii) whistleblowing policy and measures for employees, suppliers and business partners to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group. For further details of the Group's anti-corruption and whistleblowing policy and/or measures, please refer to the section headed "Anti-Corruption" of the "ESG Report".

During the year ended 31 December 2025, the Company provided one anti-corruption training to employees. There were no non-compliance cases in relation to the bribery and corruption identified or reported.

CORPORATE GOVERNANCE REPORT *(continued)*

Communications with Shareholders and Investor Relations

The Company considers that effective communication with the Shareholders is essential for enhancing investor understanding of the Group's business and strategies.

The objective of communications with Shareholders is to ensure that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. In this respect, a written shareholders communication policy (the "Shareholders Communication Policy") has been established and is currently available on the Group's website at <http://www.chinahuajungroup.com>. The Board reviewed the implementation and effectiveness of the Shareholders Communication Policy and the results were satisfactory.

The Company uses a range of communication tools to ensure Shareholders are kept well informed of key business imperatives. These include general meetings, financial reports, announcements and circulars. The Company's website offers a communication channel between the Company and the Shareholders, and is frequently updated with key information of the Group.

At the Company's annual general meeting held on 27 June 2025, separate resolutions were proposed by the Chairman in respect of each separate issue, including the re-election of Directors. All the Directors, including the Chairman of the Board, Audit, Nomination and Remuneration Committee, and the Company Secretary and the external auditor of the Company attended the annual general meeting either in person or by electronic means, be ready and available to answer the questions in respect of their professional field at the general meeting.

The general meetings of the Company are the most valuable forum for the Board to communicate with the shareholders directly. Separate resolutions are proposed at the general meetings for each substantial and material issue, no bundling resolutions proposed unless they are interdependent and linked forming one significant proposal.

The Company regularly informs the Shareholders of the procedure for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. A latest and consolidated version of the Company's Memorandum of Association and Bye-laws is currently available on the Group's website at <http://www.chinahuajungroup.com> and on HKEx's website at <http://www.hkex.com.hk>. Save as disclosed under section headed "Constitutional Documents" below, there is no significant change in the Company's Memorandum of Association and Bye-laws during the Current Year.

Dividend Policy

The dividend policy on payment of dividends that has been adopted for allowing the shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth is detailed in the "Dividend Policy" section of the Report of the Directors in this annual report.

CORPORATE GOVERNANCE REPORT *(continued)*

Constitutional Documents

During the year ended 31 December 2025 and up to the date of this annual report, the Company did not make any changes to its Bye-Laws. The latest version of the Bye-Laws is available on the websites of the Company and the Stock Exchange.

Shareholders' Rights

Procedures for Convening of Special General Meeting (“SGM”) on requisition of Shareholders

- (1) The Directors of the Company, notwithstanding anything in the Company's bye-laws shall, on the requisition of Shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.
- (2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business at, Suites 2404-2405, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong. Such requisition may consist of several documents in like form each signed by one or more requisitionists.
- (3) The requisition will be verified with the Company's Share Registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to include the resolutions in the agenda for the SGM. And such meeting shall be held within two months after the deposit of such requisition.
- (4) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.
- (5) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Procedures for sending enquiries to the Board

The enquiries must be in writing with contact information of the enquirers and submitted to the Company Secretary at the Company's principal place of business at Suites 2404-2405, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong.

CORPORATE GOVERNANCE REPORT *(continued)*

Procedures for Shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred Shareholders, can request the Company in writing to:

- (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to Shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisitions.

Conclusion

The Board believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of the Group's assets and effective allocation of the Group's resources as well as protecting the interests of the Shareholders. The management is committed to advocating good practice in corporate governance and will strive to maintain, strengthen and improve the standard and quality of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The Directors hereby present their annual report together with the audited consolidated financial statements of China Huajun Group Limited (the “Company”) and its subsidiaries (collectively refer to as the “Group”) for the Current Year.

Principal Activities

The Company acts as an investment holding company. During the Current Year, the Group has engaged in three core businesses, namely (i) Printing; (ii) Trading and Logistics; and (iii) Property Development and Investments.

A review of the business of the Group during the Current Year, a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group’s business are set out under the section headed “Management discussion and analysis” in this annual report.

The analysis of the geographical segments of the operations of the Company and its subsidiaries during the year is set out in note 7 to the consolidated financial statements.

Financial Statements

The profit/loss of the Group for the Current Year and the state of the Group’s and the Company’s affairs as at that date are set out in the consolidated financial statements on pages 46 to 50 and 183 respectively.

Dividend

The Board did not recommend the payment of a final dividend for the Current Year (Last Year: Nil).

Dividend Policy

The Company has adopted a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company’s profits whilst retaining adequate reserves to sustain the Group’s future growth. The Board does not have any pre-determined dividend payout ratio. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the by-laws of the Company. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

Charitable Donations

Charitable donations made by the Group during the Current Year amounted to RMB225,000.

Subsidiaries

Particulars of the Company’s subsidiaries at 31 December 2025 are set out in note 49 to the consolidated financial statements.

REPORT OF THE DIRECTORS *(continued)*

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 page 186.

Major Suppliers and Customers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the Current Year is as follows:

	%
Sales	
Five largest customers in aggregate	33.5%
The largest customer	12.3%
Purchases	
Five largest suppliers in aggregate	48.1%
The largest supplier	17.9%

At no time during the Current Year have the Directors, their associates or any shareholder (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any interests as defined in the Listing Rules in these major customers and suppliers.

Property, Plant and Equipment

Movements in property, plant and equipment during the Current Year are set out in note 16 to the consolidated financial statements.

Investment Properties

Movements in investment properties during the Current Year are set out in note 17 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company are set out in note 38 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 51 and note 50 to the consolidated financial statements respectively.

As at 31 December 2025, the Company's reserves available for distribution calculated in accordance with the provisions of the Bermuda Companies Act 1981 was Nil (31 December 2024: Nil).

REPORT OF THE DIRECTORS *(continued)*

Borrowings

Particulars of borrowings of the Group at 31 December 2025 are set out in note 30 to the consolidated financial statements.

Directors

The Directors during the Current Year and up to the date of this report were:

Executive Directors:

Mr. Yan Ruijie (*Chairman*)

Ms. Chen Yun

Dr. Li Dayi (appointed on 27 June 2025)

Ms. Wang Xiaomei (appointed on 27 June 2025)

Independent Non-executive Directors:

Mr. Shen Ruolei (Retired on 27 June 2025)

Mr. Mok Yi Kwo

Mr. Ding Xingfu

Ms. Zhu Fang (appointed on 27 June 2025)

In accordance with 87(1) of the Company's Bye-laws, Ms. Chen Yun, Ms. Wang Xiaomei and Mr. Ding Xingfu will retire by rotation from office at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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

Changes in Information of Director

Save as disclosed in this annual report, there is no other change to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts

No Director has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS *(continued)*

Directors' Remuneration

Details of the directors' remuneration of the Company are set out in note 14 to the consolidated financial statements.

Related Party Transactions

Details of transactions between the Group and parties regarded as "Related Parties" under applicable accounting principles are set out in note 47 to the consolidated financial statements. During the Current Year, no transaction disclosed thereto constitutes connected transaction or continuing connected transaction of the Company which is subject to, among other things, reporting, announcement or independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Directors' Interests in Competing Business

As at 31 December 2025, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions

During the Current Year, there were no connected transaction or continuing connected transactions as defined in Chapter 14A of the Listing Rules that are required to be disclosed in the annual report.

Contracts with Controlling Shareholders

Save as disclosed under the section headed "Connected Transactions" above and the note 47 to the consolidated financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries, at any time during the Current Year. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company or any of their subsidiaries.

REPORT OF THE DIRECTORS *(continued)*

Interests and/or Short Positions of the Directors and Chief Executive of the Company in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

Interests of Directors and chief executive

As at 31 December 2025, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares

Director	Nature of interests	Number of Shares	Approximate percentage of interests in the issued share capital of the Company
Ms. Chen Yun	Beneficial owner	880 (L)	0.01%

The letter “L” denotes a long position in the Shares.

Interests in shares in associated corporations

Save as disclosed above, as at 31 December 2025, none of the Directors and chief executive of the Company had any interests or short positions in the shares (“Shares”), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such under provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS *(continued)*

Interests and/or Short Positions Discloseable Under the SFO and the Substantial Shareholders

As at 31 December 2025, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at 31 December 2025
Huajun Group Limited	44,450,619 (L)	Beneficial owner <i>(Note (a))</i>	72.22%
Mr. Meng Guang Bao	44,450,619 (L)	Interest of controlled corporation <i>(Note (a))</i>	72.22%
	868,520 (L)	Beneficial owner	1.41%
Madam Bao Le	45,319,139 (L)	Interest held by spouse <i>(Note (b))</i>	73.63%
Mr. Dong Yuenxi	6,582,326 (L)	Interest of controlled corporation <i>(Note (c))</i>	10.69%
Ouke Group Holdings Limited	6,582,326 (L)	Beneficial owner <i>(Note (c))</i>	10.69%

Notes:

- (a) 44,450,619 Shares are held by Huajun Group Limited as long position, which is directly wholly-owned by Mr. Meng Guang Bao. Mr. Meng was deemed to be interested in all Shares held by virtue of SFO.
- (b) Madam Bao Le, being a spouse of Mr. Meng, was deemed to be interested in the interest held by Mr. Meng.
- (c) 6,582,326 Shares are held by Ouke Group Holdings Limited as long position, which is wholly-owned by Mr. Dong Yuenxi indirectly. Mr. Dong was deemed to be interested in all Shares held by virtue of SFO.

The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at 31 December 2025, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register as required to be kept by the Company under section 336 of the SFO.

REPORT OF THE DIRECTORS *(continued)*

Directors' Interests in Transactions, Arrangements or Significant Contracts

Save as set out in note 47 to the consolidated financial statements and under the section "Connected Transactions" in this annual report, no transactions, arrangements or contract of significance to which the Company or subsidiaries or controlling shareholder of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director of the Company has or had a material interest, either directly or indirectly subsisted at the end of the Current Year or at any time during the Current Year.

Share Option Scheme

The Company adopted a share option scheme on 28 September 2007. The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-executive Directors including Independent Non-executive Directors or any employees (whether full-time or part-time) of each member of the Group (the "Participants") and for such other purpose as the Board may approve from time to time. Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 25 October 2017, the new share option scheme (the "Scheme") has been adopted and approved. The Scheme shall remain valid and effective until 24 October 2027.

The principal terms of the Scheme are summarised as follows:

- (i) The total number of Shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the Scheme, unless approved by Shareholders and which must not in aggregate exceed 30% of the total number of the relevant class of securities of the Company in issue from time to time. The total number of Shares available for issue under the Scheme is 6,066,920 Shares.
- (ii) The total number of shares issued and to be issued upon exercise of the share options (including both exercised and outstanding options) granted pursuant to the Scheme and any other share option schemes of the Company to each of the Participants in any 12-month period shall not exceed 1% of the total number of the relevant class of securities of the Company (or its subsidiaries) in issue.
- (iii) The exercise price shall be solely determined by the Board, and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share option to the Participants, which must be a day (other than a Saturday or a Sunday) on which licenced banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (the "Business Day"); (b) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of offer of the share option to the Participants; and (c) the nominal value of the Shares.
- (iv) A share option may be exercised at any time during a period determined by the Board at its absolute discretion and notified by the Board to each grantee the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Scheme.

REPORT OF THE DIRECTORS *(continued)*

- (v) There is no minimum period for which a share option must be held before the share option can be exercised unless otherwise determined by the Board.
- (vi) According to the Scheme, the offer of a grant of share options may be accepted within 28 days from the date of offer, HK\$100 is payable by each of the Participants to the Company on acceptance of the share options as consideration for the grant. The share options to which the offer relates shall be deemed to have been granted on the date of offer of such share options.

After the share consolidation of every one hundred shares of the Company into one consolidated share of the Company that took effect on 5 March 2018, the total number of options and awards available for issue under the Share Option Scheme were 6,028,185 as at 1 January 2025 and 6,066,920 as at 31 December 2025 following the lapse of 38,735 share options due to the retirement of Mr. Shen Ruolei on 27 June 2025. There was no service provider sublimit under the Share Option Scheme.

As at 31 December 2025 and the date of this annual report, the total number of shares available for issuance under the Share Option Scheme was 6,066,920, representing approximately 9.85% of the total number of shares in issue (excluding treasury shares, if any) as at 31 December 2025 and the date of this annual report. The number of shares to be issued upon exercise of options (i) to be granted was 6,066,920 and (ii) granted but not exercised was nil.

As at 31 December 2025, the number of share options have been granted and remained outstanding under the Scheme was nil (31 December 2024: 38,735, representing approximately 0.06% of the Company in issue at that date).

The movement of share options under the Scheme during the Current Year is presented as follows:

	At 1 January 2025	Granted	Exercised	Lapsed	At 31 December 2025
Movement during the year ended 31 December 2025	38,735	NIL	NIL	(38,735)	NIL

Arrangement for Directors to Acquire Shares or Debentures

Apart from the Scheme as disclosed above, at no time during the Current Year was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws, although there is no restriction against such rights under Bermuda Law.

REPORT OF THE DIRECTORS *(continued)*

Purchase, Sale or Redemption of the Company's Shares

During the Current Year, the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares (including sale of treasury shares, if any).

Permitted Indemnity Provision

The Bye-laws of the Company provide that each Director, Secretary and other officers of the Company and shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of the duties in their respective offices. The Company has taken out and maintained appropriate insurance, which is currently in force and was in force throughout the Current Year, to cover potential legal actions against its Directors and senior officers of the Company and its subsidiaries.

Equity-linked Agreements

On 23 June 2025, the Company entered into a subscription agreement with the subscriber, pursuant to which, the subscriber has agreed to subscribe for, and the Company has agreed to allot and issue 12,000,000 subscription shares at the subscription price of HK\$1 per subscription share. As at 31 December 2025 and up to the date of this annual report, the subscription of shares were not yet completed. For details, please refer to the announcements of the Company dated 23 June 2025, 17 July 2025, and 31 December 2025.

Save as disclosed above and under the section "Share Option Scheme", the Company did not enter into any equity-linked agreements for the year ended 31 December 2025 and no equity-linked agreements subsisted as at 31 December 2025.

Retirement Schemes

Particulars of retirement schemes of the Group are set out in note 39 to the consolidated financial statements.

Staff

As at 31 December 2025, the Group had a total staff of 1,212 (31 December 2024: 1,367).

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

REPORT OF THE DIRECTORS *(continued)*

Material Acquisitions and Disposals of Subsidiaries

(a) Liquidation of a subsidiary

During the year ended 31 December 2025, Huajun Properties (Jiangyin) Co. Ltd. (“Jiangyin Properties”) entered into bankruptcy liquidation proceedings pursuant to a court order. As a result, the Company effectively lost control over Jiangyin Properties. Accordingly, the results of operations and financial position of Jiangyin Properties have not been consolidated into the Company’s consolidated financial statements, as Jiangyin Properties has been considered no longer a subsidiary since November 2025. A gain of RMB483.7 million is recognised in the consolidated profit or loss upon liquidation.

(b) Deconsolidation of a subsidiary

During the year ended 31 December 2025, the Company noted that a subsidiary, Dalian Hydraulic Machinery Co., Limited (“Dalian Hydraulic”), located in the PRC were financially insolvent, and due to the overdue borrowings (note 30(p)), the court’s judgement severely impacted the operations of Dalian Hydraulic and leading to leaving of staff and local management. Majority of the assets of Dalian Hydraulic were subject to legal enforcement and no further resources are to be injected by the Company. The Directors considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of Dalian Hydraulic or to exercise the decision-making rights over Dalian Hydraulic. As such, the Directors, considered that it is inappropriate to consolidate the financial results of Dalian Hydraulic. A gain of approximately RMB186.4 million is recognised in the consolidated profit or loss upon deconsolidation.

Saved as disclosed above, there were no other material acquisitions or disposal of subsidiaries completed during the Current Year.

Sufficiency of Public Float

As at 31 December 2025 and as at the date of this annual report, the public float of the Company was approximately 15.68%, which failed to meet the requirements on minimum public float under Rule 8.08 of the Listing Rules.

Reference is made to the announcements of the Company dated 23 June 2025, 17 July 2025 and 5 February 2026 in relation to, among others, the insufficiency of public float of the Company and the proposal to restore the public float (the “**Announcements**”). As disclosed in the Announcements, based on the information available to the Company at the relevant time, Ouke Group Holdings Limited (“**Ouke**”) had been holding shares of the Company for a number of years prior to 26 April 2021. According to the disclosure of interests forms filed under Part XV of the SFO (the “**DI Filings**”) submitted by Ouke, on 26 April 2021, the number of the Shares held by Ouke increased from 4,599,326 to 6,582,326, which represented an increase in the shareholding percentage of Ouke in the Company from approximately 7.58% to approximately 10.69% at the material time. Accordingly, Ouke had become a substantial shareholder of the Company on 26 April 2021 and thus deemed to be a core connected person of the Company under the Listing Rules. Pursuant to Rule 8.24 of the Listing Rules, as Ouke is a core connected person of the Company, the Shares held by Ouke should not be regarded as the Shares held by the public since 26 April 2021. Accordingly, the public float of the Company was less than 25% since 26 April

REPORT OF THE DIRECTORS *(continued)*

2021 and up to the date of this annual report. As such, the Company did not fulfill the public float requirement under Rule 8.08 since 26 April 2021. The Company identified such incident regarding to the insufficient public float during the course of the preparation and publication of the disclosure of the effect of the subscription agreement dated 23 June 2025 entered into between the Company and the subscriber to the shareholding structure of the Company in the Announcements.

The Company is fully aware of the existence of the problem of insufficient public float at present. The Company is proactively taking practicable measures, for further details on the insufficiency of public float, please refer to the announcement of the Company dated 23 June 2025, 17 July 2025 and 5 February 2026. The Company continues to pay attention to the problem of insufficient public float and attaches great importance to the resolution of this issue.

Independent Auditor

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by Prism Hong Kong Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board

Yan Ruijie

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2026

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF CHINA HUAJUN GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Huajun Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 46 to 185, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB234,043,000 for the year ended 31 December 2025 and as of that date, the Group had capital and other commitments of approximately RMB409,385,000, net current liabilities and net liabilities of approximately RMB8,995,645,000 and RMB7,702,203,000 respectively, which included principals, interest and penalty payables of approximately RMB3,478,095,000 and RMB2,684,434,000 respectively, of which aggregate principals of approximately RMB3,473,095,000 are in default. Consequently, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2025, which remain outstanding up to the date of approval of these consolidated financial statements. Therefore, the Group was involved in a number of litigations in relation to defaulted loan payables together with accrued interests payables above of approximately RMB6,157,529,000 due for settlement as at 31 December 2025.

In addition, on 6 September 2023, the Company has received a winding up petition (“HK Petition”) against the Company filed by a bond holder at the Court of First Instance of the High Court of Hong Kong (“High Court”). On 25 February 2025, a scheme of arrangement (“the Scheme”) was approved by the requisite majorities of the scheme creditors. The Scheme has been sanctioned by the High Court on 3 April 2025. Each of the restructuring conditions has been satisfied and the restructuring effective date occurred on 26 June 2025.

INDEPENDENT AUDITOR'S REPORT *(continued)*

The above conditions indicate the existence of material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which set out in note 2 to the consolidated financial statements, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully disposing the property projects of the Group and repaying the borrowings; (ii) successfully negotiating with creditors of property development business to restructure the borrowings by either via legal auction or set-off of pledged assets; (iii) successfully negotiating with potential investors to invest in the Company to improve the Company's financial position; and (iv) successfully implementing further cost reduction measures to minimise the operating costs and retaining resources for the Group's printing and logistics and trading business.

In view of the extent of the material uncertainties relating to the results of those measures to be taken by the Group which might cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion on the consolidated financial statements.

Should the Group fails to achieve the above-mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Responsibilities of Directors of the Company 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 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT *(continued)*

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Dai Tin Yau.

Prism Hong Kong Limited

Certified Public Accountants

Dai Tin Yau

Practising Certificate Number: P06318

Hong Kong

31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	6		
Goods and services		1,355,927	1,146,886
Rental income from property investments		7,788	8,039
Dividend from securities investments		10	19
Total revenue		1,363,725	1,154,944
Cost of sales and services		(1,469,027)	(1,140,956)
Gross (loss)/profit		(105,302)	13,988
Other gains and (losses), net	8	38,240	3,893
Other income	9	1,896	6,172
Gain on debt restructuring	31	423,114	–
Change in fair value of investment properties	17	393,467	(408,054)
Selling and distribution expenses		(55,682)	(58,421)
Administrative expenses		(176,074)	(152,950)
Impairment loss on			
– Trade and other receivables	42	(707,205)	(102,479)
– property, plant and equipment	16	–	(8,564)
Finance costs	10	(690,260)	(557,061)
Share of result of an associate		(188)	150
Gain on deconsolidation and liquidation of subsidiaries	43	670,134	–
Loss before tax		(207,860)	(1,263,326)
Income tax expense	11	(26,183)	(1,039)
Loss for the year	13	(234,043)	(1,264,365)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		15,218	(7,669)
Other comprehensive income (expense) for the year		15,218	(7,669)
Total comprehensive expense for the year		<u>(218,825)</u>	<u>(1,272,034)</u>
(Loss) profit for the year attributable to:			
– Shareholders of the Company		(234,098)	(1,263,380)
– Non-controlling interests		55	(985)
		<u>(234,043)</u>	<u>(1,264,365)</u>
Total comprehensive (expense) income attributable to:			
– Shareholders of the Company		(218,881)	(1,271,048)
– Non-controlling interests		56	(986)
		<u>(218,825)</u>	<u>(1,272,034)</u>
		RMB	RMB
Loss per share	15		
Basic		<u>(3.80)</u>	<u>(20.53)</u>
Diluted		<u>(3.80)</u>	<u>(20.53)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	16	911,012	1,058,511
Investment properties	17	346,040	1,385,836
Goodwill	18	–	–
Other non-current asset	19	–	3,139
Interest in an associate	20	31,029	31,217
Interest in a joint venture	21	–	–
Deposits for property, plant and equipment	22	8,812	9,010
Deferred tax assets	36	6,079	5,842
Right-of-use assets	26	213,197	305,800
		1,516,169	2,799,355
Current assets			
Properties held for sale	24	334,136	672,576
Inventories	25	109,475	172,021
Trade and other receivables, deposits and prepayments	27	1,015,640	1,031,713
Financial assets at FVTPL	23	201	518
Restricted bank balances	28	6,492	14,205
Pledged bank deposits	28	939	930
Bank balances and cash	28	34,803	36,292
		1,501,686	1,928,255
Assets classified as held for sale	12	47,762	106,901
		1,549,448	2,035,156

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Current liabilities			
Trade and other payables, and other liabilities	29	6,579,679	6,562,575
Tax payable		141,266	140,620
Scheme liabilities under option A	31	5,636	–
Amount due to immediate holding company	37	–	197,934
Borrowings	30	3,478,095	4,916,585
Contract liabilities	32	270,791	294,645
Corporate bonds	33	–	97,753
Deferred consideration	34	67,215	64,326
Lease liabilities	26	2,411	2,162
		<u>10,545,093</u>	<u>12,276,600</u>
Net current liabilities		<u>(8,995,645)</u>	<u>(10,241,444)</u>
Total assets less current liabilities		<u>(7,479,476)</u>	<u>(7,442,089)</u>
Non-current liabilities			
Deferred income	35	130,696	130,852
Deferred tax liabilities	36	4,433	11,973
Scheme liabilities under option A	31	32,995	–
Scheme liabilities under option B	31	10,716	–
Amount due to immediate holding company	37	41,676	–
Lease liabilities	26	2,211	1,353
		<u>222,727</u>	<u>144,178</u>
NET LIABILITIES		<u>(7,702,203)</u>	<u>(7,586,267)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Capital and reserves			
Share capital	38	55,983	55,983
Reserves		(7,869,692)	(7,677,840)
Deficiency attributable to shareholders of the Company		(7,813,709)	(7,621,857)
Non-controlling interests		111,506	35,590
TOTAL DEFICIENCY		(7,702,203)	(7,586,267)

The consolidated financial statements on pages 46 to 185 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

Mr. Yan Ruijie
Director

Ms. Chen Yun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to shareholders of the Company										Non-controlling interests	Total
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Share-based payment reserve	Deemed contribution reserve	Investment revaluation reserve	Other reserve (Note)	Accumulated losses	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2025	55,983	2,557,466	31,427	105,602	29,930	1,034,869	140	5,033	(11,442,307)	(7,621,857)	35,590	(7,586,267)
Loss for the year	-	-	-	-	-	-	-	-	(234,098)	(234,098)	55	(234,043)
Other comprehensive income for the year	-	-	-	15,217	-	-	-	-	-	15,217	1	15,218
Total comprehensive income (expense) for the year	-	-	-	15,217	-	-	-	-	(234,098)	(218,881)	56	(218,825)
Shares to be issued under debt restructuring (note 31)	-	-	-	-	-	-	-	22,364	-	22,364	-	22,364
Deemed contribution from debt restructuring (note 31)	-	-	-	-	-	121,024	-	-	-	121,024	-	121,024
Dividend paid	-	-	-	-	-	-	-	-	-	-	(9,300)	(9,300)
Deconsolidation and liquidation of subsidiaries (note 43)	-	-	-	-	-	(31,199)	-	-	(85,160)	(116,359)	85,160	(31,199)
Lapse of share options (note 41)	-	-	-	-	(29,930)	-	-	-	29,930	-	-	-
Balance at 31 December 2025	55,983	2,557,466	31,427	120,819	-	1,124,694	140	27,397	(11,731,635)	(7,813,709)	111,506	(7,702,203)

	Attributable to shareholders of the Company										Non-controlling interests	Total
	Share capital	Share premium	Statutory surplus reserve	Exchange translation reserve	Share-based payment reserve	Deemed contribution reserve	Investment revaluation reserve	Other reserve (Note)	Accumulated losses	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	55,983	2,557,466	31,427	113,270	29,936	1,034,869	140	5,033	(10,178,933)	(6,350,809)	36,576	(6,314,233)
Loss for the year	-	-	-	-	-	-	-	-	(1,263,380)	(1,263,380)	(985)	(1,264,365)
Other comprehensive expense for the year	-	-	-	(7,668)	-	-	-	-	-	(7,668)	(1)	(7,669)
Total comprehensive expense for the year	-	-	-	(7,668)	-	-	-	-	(1,263,380)	(1,271,048)	(986)	(1,272,034)
Lapse of share options (note 41)	-	-	-	-	(6)	-	-	-	6	-	-	-
Balance at 31 December 2024	55,983	2,557,466	31,427	105,602	29,930	1,034,869	140	5,033	(11,442,307)	(7,621,857)	35,590	(7,586,267)

Note:

Other reserves were i) set up by the Company's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders; and ii) shares to be issued under option A of debt restructuring scheme (note 31).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Cash flows from operating activities		
Loss before tax	(207,860)	(1,263,326)
Adjustments for:		
Change in fair value of investment properties	(393,467)	408,054
Change in fair value of financial assets at FVTPL	24	63
Change in fair value of deferred consideration	2,889	(2,929)
(Gain)/loss on disposal of financial assets at FVTPL	(23)	4
Depreciation and amortisation of non-current assets	60,041	80,011
Dividend income from securities investments	(10)	(19)
Finance costs	690,260	557,061
Gain on deconsolidation and liquidation of subsidiaries	(670,134)	–
Amortisation of deferred income	–	(455)
Recognition of impairment loss in respect of on		
– Trade and other receivables	707,205	102,479
– property, plant and equipment	–	8,564
Write-down of properties held for sale	117,055	66,446
Write-down of inventories	–	4,620
Interest income on bank deposits and pledged bank deposits	(182)	(492)
Gain on disposal of property, plant and equipment	(34,656)	(1,029)
Gain on early termination of lease	–	(52)
Gain on disposal of right-of-use assets	(6,827)	–
Gain on disposal of other non-current asset	769	–
Net foreign exchange gain	(416)	50
Gain on debt restructuring	(423,114)	–
Share of result of an associate	188	(150)
	<u>(158,258)</u>	<u>(41,100)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Operating cash flows before movements in working capital		(158,258)	(41,100)
Decrease in properties held for sale		144,040	350
Decrease in inventories		33,099	9,525
(Increase)/decrease in trade and other receivables		(58,764)	86,659
Increase in trade and other payables		4,369	2,510
(Decrease)/increase in contract liabilities		(7,900)	35,092
Decrease in restricted bank balance		7,713	1,808
Cash from operations		(35,701)	94,844
Income tax paid		(4,026)	(1,289)
Land appreciation tax paid		(21,985)	–
Dividend received from securities investments		10	19
Net cash (used in) from operating activities		(61,702)	93,574
Investment activities			
Purchase of property, plant and equipment		(3,043)	(3,098)
Proceeds from disposal of other non-current asset		2,370	–
Proceeds from disposal of right-of-use assets		48,480	–
Proceeds from disposal of property, plant and equipment		78,353	1,034
Payment for purchase of investment properties		(790)	(355)
Proceeds from disposal of financial assets at FVTPL		288	307
Purchase of financial assets at FVTPL		–	(76)
Interest received on bank deposits		182	492
Placement of pledge bank deposits		(9)	(494)
Net cash inflow from deconsolidation of a subsidiary	43(a)	(821)	–
Net cash inflow from liquidation of a subsidiary	43(b)	(113)	–
Net cash from (used in) investing activities		124,897	(2,190)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Financing activities		
Proceeds from borrowings	5,000	5,000
Repayment of borrowings	(56,994)	(67,084)
Repayment of lease liabilities	(2,252)	(3,277)
Interest paid	(1,133)	(54,692)
Dividend paid	(9,300)	–
Advance from immediate holding company	1,267	582
Repayment to immediate holding company	(1,272)	(414)
Net cash used in financing activities	(64,684)	(119,885)
Net decrease in cash and cash equivalents	(1,489)	(28,501)
Cash and cash equivalents at the beginning of year	36,292	65,351
Effect of exchange rate changes	–	(558)
Cash and cash equivalents at the end of year	34,803	36,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL

China Huajun Group Limited (the “Company”) is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street Hamilton, Pembroke, HM10, Bermuda. The principal place of its business is located at Suites 2404-2405, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong.

The directors of the Company (the “Directors”) consider that immediate holding company and ultimate holding company of the Company to be Huajun Group Limited (“HGL”), a company incorporated in Hong Kong. HGL is wholly-owned by Mr. Meng Guang Bao (“Mr. Meng”), who is the former chairman of the Board of Directors and a former executive director of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 49. The Company and its subsidiaries are collectively referred to as the “Group”.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the consolidated financial statements of the Group are presented in Renminbi (“RMB”) to enable the shareholders of the Company to have a more accurate picture of the Group’s financial position and performance.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately RMB234,043,000 for the year ended 31 December 2025 and as of that date, the Group had capital and other commitments of approximately RMB409,385,000, net current liabilities and net liabilities of approximately RMB8,995,645,000 and RMB7,702,203,000 respectively, which included principals, interest and penalty payables of approximately RMB3,478,095,000 and RMB2,684,434,000 respectively, of which aggregate principals of approximately RMB3,473,095,000 are in default. Consequently, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2025, which remain outstanding up to the date of approval of these consolidated financial statements. Therefore, the Group was involved in a number of litigations in relation to defaulted loan payables together with accrued interests payables above of approximately RMB6,157,529,000 due for settlement as at 31 December 2025.

In addition, on 6 September 2023, the Company has received a winding up petition (“HK Petition”) against the Company filed by a bond holder at the Court of First Instance of the High Court of Hong Kong (“High Court”). On 25 February 2025, a scheme of arrangement (“the Scheme”) was approved by the requisite majorities of the scheme creditors. The Scheme has been sanctioned by the High Court on 3 April 2025. Each of the restructuring conditions has been satisfied and the restructuring effective date occurred on 26 June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The above conditions indicate the existence of material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors reviewed a cash flow forecast of the Group covering a period not less than twelve months from the end of the reporting period and consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Restructuring of the Group's property business

All of the Group's property development projects were suspended due to insufficient cash resources. The Group expects that the property projects will be disposed of through sale or legal auction to get proceeds for repayment of borrowings. Certain property project subsidiaries with overdue borrowings are subject to bankruptcy petition if the proceeds from disposal of pledged assets are not sufficient to repay their debts. The Group is in negotiation with creditors of property development business to accelerate the legal procedures for repayment of borrowings by either via legal auction or set-off of pledged assets and if possible, to dispose of the entire property business segment which is financially insolvent.

(ii) Fund raising

On 23 June 2025, the Company has entered into a subscription agreement to issue 12,000,000 new shares of the Company at HK\$1 each. However, the subscription has not yet been completed as at the date of this report. The Company has also been in negotiation with potential investors to invest in the Company to improve the Company's financial position.

(iii) Cash inflow from operations

The Group will implement further cost reduction measures to minimise the operating costs and retain resources for the Group's printing and logistics and trading business which provide positive cash flows to maintain the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to HKFRS Accounting Standards issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2025:

Amendments to HKAS 21 Lack of Exchangeability

The application of the amendments to HKAS 21 in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRS Accounting Standards issued but not yet effective

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

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

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

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

³ No mandatory effective date yet determined but available for adoption

The Directors anticipate that, except as described below, the application of the new and amendments to HKFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to HKFRS Accounting Standards issued but not yet effective *(Continued)*

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

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

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Goodwill *(Continued)*

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets on a pro rata based on the carrying amount of each asset in the unit (or groups of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and is included in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Interests in associates and joint ventures *(Continued)*

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognised in consolidated financial statements only to the extent of in the associate or joint venture that are unrelated to the Group. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Interests in associates and joint ventures *(Continued)*

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. In applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Contract assets and contract liabilities *(Continued)*

The Group recognises revenue from the following major sources:

- Manufacturing and sales of printing products;
- Sales of petrochemical and other related products;
- Manufacturing and sales of hydraulic machinery;
- Hotel business;
- Sales of properties;
- Provision of property management services.

Sales of petrochemical and other related products

The Group sells petrochemical products mainly to customers in the PRC.

Revenue from sales of petrochemical products is recognised when control of the goods has transferred, being the time when the customer draws out the petrochemical products from the Group's warehouse or storage location ("Draw Out").

Following Draw Out, the customer has full discretion over the manner of distribution and price to sell the goods and has the full responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon Draw Out.

For the trading of petrochemical products business, the Group requires certain customers to provide upfront deposits ranging from 10% to 20% of total contract sum. When the Group receives a deposit before the petrochemical products are delivered to the customer, this will give rise to contract liabilities at the start of a contract and setoff with the total contract sum upon the sales transaction is completed.

Manufacturing and sales of printing products

The Group manufactures and sells printing products to customers in the PRC, US, Hong Kong and other overseas countries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Manufacturing and sales of printing products *(Continued)*

For contracts entered into with customers on sales of printing products, the relevant printing products specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant printing products to customers.

Revenue from sales of printing products is therefore recognised at a point in time when the completed printing products is shipped/delivered to customers, being at the point that the customer obtains the control of the printing products and the Group has present right to payment and collection of the consideration is probable.

The normal credit term is 30 to 90 days in accordance with the invoice date.

The Group requires certain customers to provide upfront deposits ranging from 10% to 20% of total contract sum. When the Group receives a deposit before the manufacturing process commences, this will give rise to contract liabilities at the start of a contract and setoff with the total contract sum upon the sales transaction is completed.

Manufacturing and sales of hydraulic machinery

The Group manufactures and sells hydraulic machinery to customers in the PRC.

Revenue from sales of hydraulic machinery is recognised at a point in time when the completed hydraulic machinery is shipped/delivered to customers, being at the point that the customer obtains the control of the hydraulic machinery and the Group has present right to payment and collection of the consideration is probable.

The normal credit term is 90 days in accordance with the invoice date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Provision of property management services

Revenue from provision of property management service is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term. Customers usually prepay the property management fee at the beginning of each month.

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is delivered to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30% to 50% of the contract value from customers when they sign the sales and purchase agreement. For the customers who use mortgage loans provided by the banks, the remaining portion of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. The payment is generally made by the bank before the delivery of property to the buyer. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period while construction work of properties is still ongoing.

Where the Group considers the advance payment schemes contain significant financing component, the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Hotel business

Revenue from hotel business is recognised when the accommodation and related services are provided and is usually settled in cash, by credit cards or other means of electronic payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payments and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

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 such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently charged to profit or loss that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leasing

Definition of a lease

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Except for the right-of-use assets classified as investment properties and measured under fair value model, right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment property”.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

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

Lease modification

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease modification *(Continued)*

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into HK\$; and (ii) the assets and liabilities of the Group denominated or translated in HK\$ are then translated into the presentation currency of the Group (i.e. RMB), using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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

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

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress (as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction-in-progress less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment *(Continued)*

Ownership interests in leasehold land and buildings *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If a property held for sale becomes an item of property, plant and equipment when there is a change in use, the carrying amount of the property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties recognised by the Group as right-of-use asset and leased out under operating lease.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Construction cost incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties *(Continued)*

An investment property held by the Group as a right-of-use asset is measured initially at cost in accordance with HKFRS 16. Subsequent to initial recognition, it is measured at fair value, which is the right-of-use asset, but not the underlying property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Properties held for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Costs comprise the acquisition costs, the related land cost, development expenditure incurred and where appropriate, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties and allocated to each unit in each phase based on sellable floor area, using weighted average method. Net realisable value represents the estimated selling price for properties held for sale less all estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Cash and cash equivalents *(Continued)*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) *(Continued)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method *(Continued)*

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “revenue” and “other income” line items (notes 6 and 9).

Financial assets at FVTOCI (debt instruments)

The Group classifies and measures subsequently its debt instruments at FVTOCI if both of the following conditions are met:

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

The Group's debt instruments classified as at FVTOCI includes investments in listed and unlisted bond investments. Fair value is determined in the manner described in note 23. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit and loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 23.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and forward looking information that is available without undue cost or effort.

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

Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk *(Continued)*

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debt has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'low risk.' Low risk means that the counterparty has a low risk of default and there is no past due amounts.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information regarding specific exposures that is reasonable, supportable and available without undue cost or effort. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

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

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Provisions *(Continued)*

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits (accumulated losses).

Equity instruments issued to purchase goods or services

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of tangible assets, right-of-use assets and other non-current asset other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Other non-current asset with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of properties held for sale and inventories, and value in use of property, plant and equipment and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

(a) Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Please refer to note 2 in relation to the going concern assumptions adopted by the Directors.

(b) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred taxation in relation to the Group's investment properties have been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Key sources of estimation uncertainty

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

(a) Fair values of investment properties

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties. The carrying amount of investment properties as at 31 December 2025 was approximately RMB346,040,000 (31 December 2024: approximately RMB1,385,836,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

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

Key sources of estimation uncertainty *(Continued)*

(b) Estimated net realisable value on properties held for sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the actual or estimated selling price less estimated costs to complete the development based on existing asset structure and material price lists and the estimated costs necessary to make the sales). An allowance is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result if the net realisable value is less than the carrying amount.

The carrying amount of properties held for sale as at 31 December 2025 was approximately RMB334,136,000 (31 December 2024: approximately RMB672,576,000) as set out in note 24. Write-down of properties held for sale of approximately RMB117,055,000 (31 December 2024: approximately RMB66,446,000) was recognised for the year ended 31 December 2025.

(c) Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventories and judgements on the conditions of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 December 2025, the carrying amount of inventories of the Group was approximately RMB109,475,000 (31 December 2024: approximately RMB172,021,000), net of accumulated allowance for inventories of approximately RMB3,239,000 (31 December 2024: approximately RMB2,914,000). Write-down of inventories of nil (31 December 2024: approximately RMB4,620,000) was recognised for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

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

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of trade and other receivables

Except for debtors with significant outstanding balances or credit-impaired which individually assessed for ECL, the Group uses provision matrix to calculate ECL for trade receivables. The Group uses debtors' ageing to assess the impairment for its customers which grouped by different segment in relation to its operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision rates that applied are based on historical default rates from respective segments taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Different default rates are applied to the customers in different businesses. In addition, receivables with significant balances and credit impaired are assessed for ECL individually.

For other receivables, the Group determines the ECL on an individual basis for each debtor. The Group estimated the ECL based on historical credit loss experience and forward-looking information and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate. At each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade and other receivables and the ECL are disclosed in notes 27 and 42, respectively.

As at 31 December 2025, the carrying amount of trade receivables was approximately RMB69,169,000 (31 December 2024: approximately RMB105,095,000), net of loss allowance of approximately RMB104,275,000 (31 December 2024: approximately RMB105,040,000) are disclosed in note 27.

As at 31 December 2025, the carrying amount of deposits and other receivables was approximately RMB837,055,000 (31 December 2024: approximately RMB817,055,000), net of loss allowance of approximately RMB1,598,704,000 (31 December 2024: approximately RMB901,414,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

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

Key sources of estimation uncertainty *(Continued)*

(e) Estimated useful lives of property, plant and equipment (including right-of-use assets)

At the end of each reporting period, the Directors review the estimated useful life of property, plant and equipment (including right-of-use assets). The carrying amounts of property, plant and equipment (including right-of-use assets) as at 31 December 2025 is approximately RMB1,124,209,000 (31 December 2024: approximately RMB1,364,311,000).

(f) Impairment assessment of property, plant and equipment, right-of-use assets and other non-current asset

The Group determines whether the property, plant and equipment, right-of-use assets and other non-current asset are impaired whenever there is indication of impairment presented. The impairment loss for property, plant and equipment, right-of-use assets and other non-current asset are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment, right-of-use assets and other non-current asset have been determined based on higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of estimates such as future revenue and discount rates.

As at 31 December 2025, the carrying values of property, plant and equipment were approximately RMB911,012,000 (31 December 2024: approximately RMB1,058,511,000). No impairment loss (31 December 2024: approximately RMB8,564,000) has been recognised during the year ended 31 December 2025.

As at 31 December 2025, the carrying values of right-of-use assets were approximately RMB213,197,000 (31 December 2024: approximately RMB305,800,000). No impairment loss has been recognised during the years ended 31 December 2025 and 2024.

As at 31 December 2025, the carrying values of other non-current asset was nil (31 December 2024: approximately RMB3,139,000). No impairment loss has been recognised during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2025				Total RMB'000
	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	All other segments RMB'000	
Type of goods and services					
Sales of:					
– printing products	318,712	–	–	–	318,712
– petrochemical and other related products	–	933,115	–	–	933,115
– properties	–	–	77,039	–	77,039
– hydraulic machinery	–	–	–	12,094	12,094
– other	–	–	–	1,003	1,003
Property management services*	–	–	13,964	–	13,964
Total revenue from contracts with customers	318,712	933,115	91,003	13,097	1,355,927
Rental income from property investments	–	–	2,687	5,101	7,788
Dividend from securities investments	–	–	–	10	10
Total revenue	<u>318,712</u>	<u>933,115</u>	<u>93,690</u>	<u>18,208</u>	<u>1,363,725</u>
Geographical markets					
The PRC	141,156	862,207	91,003	13,097	1,107,463
The United States (“US”)	97,489	–	–	–	97,489
Hong Kong	37,784	10,366	–	–	48,150
European countries	23,021	–	–	–	23,021
Other countries	19,262	60,542	–	–	79,804
Total	<u>318,712</u>	<u>933,115</u>	<u>91,003</u>	<u>13,097</u>	<u>1,355,927</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

6. REVENUE *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	For the year ended 31 December 2024				Total RMB'000
	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	All other segments RMB'000	
Type of goods and services					
Sales of:					
– printing products	319,608	–	–	–	319,608
– petrochemical and other related products	–	766,112	–	–	766,112
– properties	–	–	5,495	–	5,495
– hydraulic machinery	–	–	–	36,721	36,721
– other	–	–	–	1,745	1,745
Property management services*	–	–	17,205	–	17,205
Total revenue from contracts with customers	319,608	766,112	22,700	38,466	1,146,886
Rental income from property investments	–	–	2,504	5,535	8,039
Dividend from securities investments	–	–	–	19	19
Total revenue	<u>319,608</u>	<u>766,112</u>	<u>25,204</u>	<u>44,020</u>	<u>1,154,944</u>
Geographical markets					
The PRC	138,209	730,714	22,700	38,466	930,089
The US	89,883	–	–	–	89,883
Hong Kong	45,463	35,398	–	–	80,861
European countries	23,132	–	–	–	23,132
Other countries	22,921	–	–	–	22,921
Total	<u>319,608</u>	<u>766,112</u>	<u>22,700</u>	<u>38,466</u>	<u>1,146,886</u>

* Revenue from property management services is recognised over time, and the progress is measured using the output method. The property management service fees are billed to the tenants monthly. All other revenue of the Group from contracts with customers are recognised at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

6. REVENUE *(Continued)*

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations for sales of properties (unsatisfied or partially unsatisfied) as at 31 December and the expected timing of recognising revenue are as follows:

	Sales of properties	
	2025 RMB'000	2024 RMB'000
Within one year	–	–
Over one year but within two years	–	–
Over two years but within five years	151,607	163,273
	<u>151,607</u>	<u>163,273</u>

Except for the above, all of the Group's other remaining performance obligations for contracts with customers are for original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OPERATING SEGMENTS

The Group manages its businesses by divisions, which are organised by different business lines. Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment is prepared on this basis. The Group has identified the following three reportable segments under HKFRS 8 Operating Segments as follows:

- Printing: Sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products
- Trading and logistics: Trading, logistics and supply chain management
- Property development and investments: Property development and investments, property management services

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include solar photovoltaic business and provision of hotel services in the PRC. None of these segments meets any of quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "All other segments".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

7. OPERATING SEGMENTS *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2025

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Reportable segments, total RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue						
Revenue from external customers	318,712	933,115	93,690	1,345,517	18,208	1,363,725
Segment loss	(31,000)	(2,451)	(509,961)	(543,412)	(49,141)	(592,553)
Unallocated amounts						
Corporate administrative expenses						(18,035)
Corporate other income, gains and (losses), net						(72)
Finance costs						(690,260)
Gain on deconsolidation and liquidation of subsidiaries						670,134
Gain on debt restructuring						423,114
Share of result of an associate						(188)
Group's loss before tax						<u>(207,860)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

7. OPERATING SEGMENTS *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2024

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Reportable segments, total RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue						
Revenue from external customers	319,608	766,112	25,204	1,110,924	44,020	1,154,944
Segment loss	(34,008)	(15,022)	(599,114)	(648,144)	(49,124)	(697,268)
Unallocated amounts						
Corporate administrative expenses						(12,089)
Corporate other income, gains and (losses), net						2,942
Finance costs						(557,061)
Share of result of an associate						150
Group's loss before tax						<u>(1,263,326)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.

Segment results represent the profit or loss of each operating segment without allocation of gains or losses arising from corporate administrative expenses, corporate other income, gains and losses, net, finance costs, gain on deconsolidation and liquidation of subsidiaries, gain on debt restructuring and share of result of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

7. OPERATING SEGMENTS *(Continued)*

Other segment information

For the year ended 31 December 2025

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Reportable segments, total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment	21,325	4,215	2,418	27,958	21,158	-	49,116
Depreciation of right-of-use assets	4,311	1,671	197	6,179	4,351	395	10,925
Additions to non-current assets	4,311	86	1,614	6,011	1,013	-	7,024
Impairment loss recognised in respect of – Trade and other receivables	-	-	707,205	707,205	-	-	707,205
Gain on disposal of property, plant and equipment	-	-	(34,656)	(34,656)	-	-	(34,656)
Fair value gain of investment properties	-	-	(393,467)	(393,467)	-	-	(393,467)
Fair value gain of financial assets at FVTPL	-	-	-	-	(23)	-	(23)
Loss on disposal of financial assets at FVTPL	-	-	-	-	24	-	24
Interest income on bank deposits and pledged bank deposits	(14)	(54)	(110)	(178)	(2)	(2)	(182)
Write-down of properties held for sale	-	-	117,055	117,055	-	-	117,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

7. OPERATING SEGMENTS *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2024

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Reportable segments, total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment	25,442	7,095	5,267	37,804	30,333	–	68,137
Depreciation of right-of-use assets	3,612	1,760	1,148	6,520	4,958	396	11,874
Additions to non-current assets	2,516	47	1,762	4,325	545	1,186	6,056
Impairment loss recognised (reversed) in respect of							
– other receivables	(2,360)	–	104,839	102,479	–	–	102,479
– property, plant and equipment	–	–	8,527	8,527	37	–	8,564
Gain on disposal of property, plant and equipment	(35)	–	–	(35)	(994)	–	(1,029)
Gain on early termination of lease	(52)	–	–	(52)	–	–	(52)
Fair value loss of investment properties	–	–	408,054	408,054	–	–	408,054
Fair value loss of financial assets at FVTPL	–	–	–	–	63	–	63
Loss on disposal of financial assets at FVTPL	–	–	–	–	4	–	4
Interest income on bank deposits and pledged bank deposits	(28)	(144)	(13)	(185)	(305)	(2)	(492)
Write-down of inventories	–	–	–	–	4,620	–	4,620
Write-down of properties held for sale	–	–	66,446	66,446	–	–	66,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

7. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

	2025 RMB'000	2024 RMB'000
Segment assets		
Printing	430,620	458,556
Trading and logistics	709,666	752,555
Property development and investments	1,161,338	2,697,806
	<u>2,301,624</u>	<u>3,908,917</u>
Other segments	623,727	796,993
Unallocated assets	140,266	128,601
	<u>140,266</u>	<u>128,601</u>
Consolidated total assets	<u><u>3,065,617</u></u>	<u><u>4,834,511</u></u>

	2025 RMB'000	2024 RMB'000
Segment liabilities		
Printing	826,992	775,915
Trading and logistics	338,335	348,836
Property development and investments	7,963,198	8,997,094
	<u>9,128,525</u>	<u>10,121,845</u>
Other segments	1,574,768	1,766,288
Unallocated liabilities	64,527	532,645
	<u>64,527</u>	<u>532,645</u>
Consolidated total liabilities	<u><u>10,767,820</u></u>	<u><u>12,420,778</u></u>

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

- all assets are allocated to operating segments other than corporate assets; and
- all liabilities are allocated to operating segments other than corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

7. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

Geographical information

The Group's operations are mainly located in Hong Kong, the PRC and the US.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the location of the operations of relevant group entities. The following table sets out information about the geographical location of revenue from external customers and non-current assets:

	Revenue from external customers		Non-current assets*	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
The PRC	1,115,251	938,128	1,506,357	2,790,538
The US	97,489	89,883	40	33
Hong Kong	48,160	80,880	3,693	2,942
European countries	23,021	23,132	–	–
Other countries	79,804	22,921	–	–
	<u>1,363,725</u>	<u>1,154,944</u>	<u>1,510,090</u>	<u>2,793,513</u>

* Non-current assets exclude deferred tax assets.

Information about major customers

There was no customer contributing over 10% of the total revenue for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

8. OTHER GAINS AND (LOSSES), NET

	2025 RMB'000	2024 RMB'000
Gain on disposal of property, plant and equipment	34,656	1,029
Gain on disposal of right-of-use assets	6,827	–
Loss on disposal of other non-current asset	(769)	–
Exchange gain (loss), net	416	(50)
Gain on early termination of lease	–	52
Loss on change in fair value of financial assets at FVTPL	(24)	(63)
Gain/(loss) on disposal of financial assets at FVTPL	23	(4)
Change in fair value of deferred consideration (note 34)	(2,889)	2,929
	<u>38,240</u>	<u>3,893</u>

9. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Interest income on bank deposits and pledged bank deposits	182	492
Government subsidies (note a)	–	450
Amortisation of deferred income (note 35)	–	455
Others (note b)	1,714	4,775
	<u>1,896</u>	<u>6,172</u>

Notes:

- a. Government subsidies comprised cash subsidies from government for subsidising the Group's operation. There are no unfulfilled conditions and other contingencies affected to the receipts of those subsidies.
- b. The amount mainly represented scrap sales from printing business and trading and logistic business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

10. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings and other borrowings	686,954	551,137
Interest on lease liabilities	168	192
Effective interest expenses on scheme liabilities under option A	1,401	–
Effective interest expenses on scheme liabilities under option B	391	–
Effective interest expenses on amount due to immediate holding company	1,346	–
Effective interest expenses on corporate bonds	–	5,732
	<u>690,260</u>	<u>557,061</u>

11. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax:		
PRC enterprise income tax	4,699	860
PRC land appreciation tax	21,985	–
Other jurisdictions	68	64
	<u>26,752</u>	924
Deferred taxation (note 36)	(569)	115
	<u>26,183</u>	<u>1,039</u>

For the years ended 31 December 2025 and 2024, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

11. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follow:

	2025 RMB'000	2024 RMB'000
Loss before tax	<u>(207,860)</u>	<u>(1,263,326)</u>
Notional tax on loss before tax, calculated at the rates applicable to profits in the jurisdictions concerned	(56,866)	(265,348)
Tax effect of expenses not deductible for tax purposes	117,161	99,822
Tax effect of income not taxable for tax purposes	(279,215)	(866)
Tax effect of deductible temporary differences not recognised	(636)	–
Tax effect of tax losses not recognised	225,176	166,702
Derecognition of deferred tax assets previously recognised	67	115
Utilisation of tax losses previously not recognised	(1,502)	(20)
Under provision in respect of prior periods	13	634
PRC land appreciation tax	<u>21,985</u>	<u>–</u>
Income tax expense	<u>26,183</u>	<u>1,039</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

12. ASSETS CLASSIFIED AS HELD FOR SALE

	2025 RMB'000	2024 RMB'000
Investment properties (note b)	47,762	47,762
Property, plant and equipment (note a)	–	2,279
Right-of-use assets (note a)	–	56,860
Total assets classified as held for sale	<u>47,762</u>	<u>106,901</u>

Note:

- (a) On 20 November 2020, Dalian Hydraulic Machinery Co., Limited (“Dalian Hydraulic”), a former subsidiary of the Company, entered into an agreement with local authority to dispose of a group of assets, including property, plant and equipment and right-of-use assets, at a cash consideration of approximately RMB142,420,000. After deducting certain administrative costs of approximately RMB5,200,000, the net proceeds will be approximately RMB137,220,000. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

During the year ended 31 December 2025, the property, plant and equipment and right-of-use assets were derecognised upon the lost of control of Dalian Hydraulic (note 43(a)).

- (b) During the year ended 31 December 2022, certain investment properties and property, plant and equipment of the Group were disposed by auctions. Impairment losses on investment properties of approximately RMB46,510,000 have been recognised based on the bid prices.

As at 31 December 2025, the abovementioned disposal has not yet completed due to certain events which are beyond the Group’s control. As the Group remains committed to the sale of investment properties, and such transaction remains highly probable to complete within one year, the investment properties continued to be classified as assets held for sale and were separately presented in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

13. LOSS FOR THE YEAR

	2025 RMB'000	2024 RMB'000
Loss for the year is arrived after charging (crediting):		
Directors' remuneration (note 14)	2,275	2,204
Staff cost, excluding Directors' remuneration:		
– Salaries, wages and other benefits	138,432	152,186
– Retirement benefit scheme contributions	20,642	26,153
Total staff costs	<u>161,349</u>	<u>180,543</u>
Rental income from investment properties:		
Gross rental income from investment properties	(7,788)	(8,039)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	645	666
	<u>(7,143)</u>	<u>(7,373)</u>
Auditors' remuneration		
– Audit services	1,603	1,603
– Non-audit services	369	504
Cost of inventories recognised as an expense	1,019,422	874,871
Cost of properties recognised as an expense	149,741	5,906
Write-down of properties held for sales (included in cost of sales and services)	117,055	66,446
Write-down of inventories (included in cost of sales and services)	–	4,620
Depreciation for property, plant and equipment	49,116	68,137
Depreciation for right-of-use assets	10,925	11,874
Research and development expense	<u>4,218</u>	<u>4,700</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and Chief Executive

The emoluments paid or payable to each of the Directors and the Chief Executive were as follows:

For the year ended 31 December 2025

	Fees RMB'000	Salary and other allowances RMB'000	Discretionary bonus (Note a) RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive Directors</i>					
Mr. Yan Ruijie (<i>Chairman</i>)	-	620	-	77	697
Ms. Chen Yun	-	447	-	111	558
Dr. Li Dayi (Note e)	120	-	-	-	120
Ms. Wang Xiaomei (Note e)	120	-	-	-	120
<i>Independent Non-executive Directors</i>					
Mr. Shen Ruolei (Note c)	165	-	-	-	165
Mr. Mok Yi Kwo	330	-	-	-	330
Mr. Ding Xingfu (Note b)	165	-	-	-	165
Ms. Zhu Fang (Note e)	120	-	-	-	120
	<u>1,020</u>	<u>1,067</u>	<u>-</u>	<u>188</u>	<u>2,275</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors and Chief Executive *(Continued)*

For the year ended 31 December 2024

	Fees RMB'000	Salary and other allowances RMB'000	Discretionary bonus (Note a) RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive Directors</i>					
Mr. Yan Ruijie (<i>Chairman</i>)	-	621	-	59	680
Ms. Chen Yun	-	464	-	107	571
<i>Independent Non-executive Directors</i>					
Mr. Shen Ruolei (Note c)	330	-	-	-	330
Mr. Pun Chi Ping (Note d)	293	-	-	-	293
Mr. Mok Yi Kwo	330	-	-	-	330
Mr. Ding Xingfu (Note b)	-	-	-	-	-
	<u>953</u>	<u>1,085</u>	<u>-</u>	<u>166</u>	<u>2,204</u>

Neither the Chief Executive nor any of the Directors waived any emoluments during the current and prior years.

During the current and prior years, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes:

- (a) The discretionary bonus is determined by reference to the individual performance of the Directors and performance of the Group as a whole.
- (b) Appointed on 21 November 2024.
- (c) Resigned on 27 June 2025.
- (d) Resigned on 21 November 2024.
- (e) Appointed on 27 June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors and Chief Executive *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as Directors.

Employees

Of the five individuals with the highest emoluments in the Group, there was no director whose emoluments are included in the disclosures above during the years ended 31 December 2025 and 2024. The emoluments of the five (31 December 2024: five) non-directors individuals are disclosed for the current year as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other allowances	6,151	6,002
Retirement benefit scheme contributions	592	417
	<u>6,743</u>	<u>6,419</u>

Their emoluments were within the following bands:

	2025	2024
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB917,001 to RMB1,376,000 and RMB916,001 to RMB1,374,000 for the years ended 31 December 2025 and 2024 respectively)	3	4
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,376,001 to RMB1,835,000 and RMB1,374,001 to RMB1,832,000 for the years ended 31 December 2025 and 2024 respectively)	2	1
	<u>5</u>	<u>5</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to shareholders of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company)	<u>(234,098)</u>	<u>(1,263,380)</u>
	2025	2024
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>61,543,075</u>	<u>61,543,075</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
COST							
At 1 January 2024	735,167	926,836	51,554	75,432	34,948	945,862	2,769,799
Additions	1,723	–	927	208	–	507	3,365
Reclassifications	–	(8,587)	5,990	2,597	–	–	–
Disposals	(81)	(40)	(378)	(190)	–	–	(689)
At 31 December 2024 and 1 January 2025	736,809	918,209	58,093	78,047	34,948	946,369	2,772,475
Additions	1,248	–	546	434	–	1,013	3,241
Deconsolidation of a subsidiary	(81,027)	(37,467)	–	(1,960)	(365)	(4,391)	(125,210)
Liquidation of a subsidiary	–	–	(13)	(47)	–	–	(60)
Disposals	(159,876)	(57,653)	(3,658)	(710)	–	(129,902)	(351,799)
At 31 December 2025	<u>497,154</u>	<u>823,089</u>	<u>54,968</u>	<u>75,764</u>	<u>34,583</u>	<u>813,089</u>	<u>2,298,647</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2024	457,617	859,711	50,419	75,315	32,471	162,414	1,637,947
Provided for the year	37,976	26,221	1,619	1,646	675	–	68,137
Disposals	(77)	(40)	(378)	(189)	–	–	(684)
Impairment loss recognised	8,527	–	–	37	–	–	8,564
At 31 December 2024 and 1 January 2025	504,043	885,892	51,660	76,809	33,146	162,414	1,713,964
Provided for the year	25,516	21,295	1,153	849	303	–	49,116
Deconsolidation of a subsidiary	(81,027)	(37,017)	–	(1,604)	(208)	–	(119,856)
Liquidation of a subsidiary	–	–	(3)	(35)	–	–	(38)
Disposals	(67,334)	(55,504)	(3,650)	(689)	–	(128,374)	(255,551)
At 31 December 2025	<u>381,198</u>	<u>814,666</u>	<u>49,160</u>	<u>75,330</u>	<u>33,241</u>	<u>34,040</u>	<u>1,387,635</u>
CARRYING VALUES							
At 31 December 2025	<u>115,956</u>	<u>8,423</u>	<u>5,808</u>	<u>434</u>	<u>1,342</u>	<u>779,049</u>	<u>911,012</u>
At 31 December 2024	<u>232,766</u>	<u>32,317</u>	<u>6,433</u>	<u>1,238</u>	<u>1,802</u>	<u>783,955</u>	<u>1,058,511</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account of their estimated residual value, on a straight-line basis, over the following period:

Buildings	20 – 50 years
Plant and machinery	10 – 15 years
Furniture and fixtures	5 – 10 years
Computer and office equipment	5 – 6 years
Motor vehicles	5 – 6 years

As at 31 December 2025 and 2024, all of the buildings are situated in the PRC and held under medium term leases.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment, right-of-use assets and other non-current asset are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on higher of fair values less costs of disposal and value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant property, plant and equipment. Other key assumptions applied in the impairment tests include the expected product sales, product costs and related expenses. Management determines these key assumptions based on past performance and their expectations on market development. Furthermore, the Group adopts a pre-tax rate ranging from 12.2% to 19.2% (31 December 2024: 13.2% to 19.3%) that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments.

In determining the fair value less costs of disposal of certain property, plant and equipment and right-of-use assets of the Group, either market approach or depreciated replacement cost approach, where appropriate, are adopted. The fair value measurement of the property, plant and equipment and right-of-use assets is categorised within level 3 of the fair value hierarchy.

Based on the results of the above review, no impairment losses (31 December 2024: approximately RMB8,527,000) were recognised on certain buildings of the property development and investments segment.

Property, plant and equipment with a total carrying amount of approximately RMB64,611,000 (31 December 2024: approximately RMB192,472,000) has been pledged to secure borrowings of the Group as at 31 December 2025 (note 46).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

17. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2024	169,934	1,623,601	1,793,535
Additions	–	355	355
Change in fair value of investment properties	(11,300)	(396,754)	(408,054)
At 31 December 2024 and 1 January 2025	158,634	1,227,202	1,385,836
Additions	–	790	790
Disposals	(21,316)	(1,412,737)	(1,434,053)
Change in fair value of investment properties	621	392,846	393,467
At 31 December 2025	<u>137,939</u>	<u>208,101</u>	<u>346,040</u>

All of these investment properties are under medium-term leases in the PRC.

The fair values of the Group's investment properties as at 31 December 2025 and 2024 have been arrived at on the basis of valuations carried out on the date by LCH (Asia-Pacific) Surveyors Limited. The valuer is a firm of independent qualified valuers not connected with the Group and have the appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

Investment properties are measured at fair values for financial reporting purpose. In estimating the fair value of an investment property, the Group uses market observable data to the extent it is available. The Group engages independent qualified professional valuers to perform the valuation. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties.

In estimating the fair value of these investment properties, the highest and best use of the properties is their current use.

As at 31 December 2025, the Group's completed investment properties carried at fair value of approximately RMB10,103,000 (31 December 2024: approximately RMB29,500,000) and investment properties under construction at fair value of approximately RMB208,101,000 (31 December 2024: approximately RMB1,227,202,000) have been pledged to secure borrowings of the Group (note 46).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

17. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2025, completed investment properties at fair value of approximately RMB137,939,000 (31 December 2024: approximately RMB158,634,000) were arrived at based on either the income approach or market comparison approach, where for leased area the average monthly rent of all lettable units of the properties are assessed and discounted at the market yield expected by investors for these type of properties. The average monthly rentals are assessed by reference to an existing rental agreement entered with a tenant for all lettable units of the properties. The discount rate is determined by reference to the yields derived from analysing the sales and rental information of similar commercial properties and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. For vacant area, the fair value was arrived at by reference to market evidence of prices for similar properties in the same district.

As at 31 December 2024, part of the investment properties under construction with aggregate fair values of approximately RMB1,012,901,000 were arrived at based on the residual approach or depreciation replacement cost method, where the gross development values are determined by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The valuations have further taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date, the remaining construction cost and fees expected to be incurred for completing the development and developer's profit margin. As at 31 December 2025, no investment properties under construction were required to be valued using the residual approach or depreciation replacement cost method.

For the remaining investment properties under construction with a fair value of approximately RMB208,101,000 as at 31 December 2025 (31 December 2024: approximately RMB214,301,000), the management reviewed the construction status of the buildings and structures of the subject investment properties and considered that no market sales comparable was readily available for such preliminary stage of construction. Therefore, the fair value was arrived at by reference to the market value for the existing use of the land, plus the current costs of construction, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

In August 2021, Yingkou Court announced an enforcement to freeze and preserve a commercial investment property under construction located in Dalian with fair value of approximately RMB1,012,901,000 as at 31 December 2024 as a result of one of the defaulted bank borrowings.

During the year ended 31 December 2025, as ruled by the Yingkou Court, the commercial investment property was sold to the creditor at a value of approximately RMB1,412,737,000. Further details refer to note 30(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

17. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2025 and 2024 are as follows:

	Level 3 RMB'000	Fair value as at 31 December 2025 RMB'000
Commercial units located in the PRC	335,937	335,937
Residential units located in the PRC	10,103	10,103
	<u>346,040</u>	<u>346,040</u>

	Level 3 RMB'000	Fair value as at 31 December 2024 RMB'000
Commercial units located in the PRC	1,356,336	1,356,336
Residential units located in the PRC	29,500	29,500
	<u>1,385,836</u>	<u>1,385,836</u>

Recurring fair value measurement

The following tables give information about how the fair values of these investment properties as at 31 December 2025 and 2024 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

17. INVESTMENT PROPERTIES *(Continued)*

Recurring fair value measurement *(Continued)*

	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	31 December 2025 RMB'000	31 December 2024 RMB'000				
Commercial investment properties under construction located at the south-eastern side of the junction of Titan Road and Zhongshan Road, Shahekou District, Dalian City, Liaoning Province, the PRC	–	1,012,901	Level 3	Residual approach	Market unit sale rate from RMB10,474 to RMB13,784 per square meter as at 31 December 2024 Estimated cost to complete amounted to approximately RMB343,000,000 as at 31 December 2024 Expected developer's profit margin at 10% as at 31 December 2024	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa A significant increase in the cost to complete would result in a significant decrease in fair value, and vice versa A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa
Completed commercial investment properties located at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC	6,800	7,498	Level 3	Market comparison approach	Market unit sale rate at: RMB3,300 (31 December 2024: RMB3,600) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Completed commercial investment properties located at the middle of Kunlun Street, Bayuquan District, Liaoning Province, the PRC	15,000	15,600	Level 3	Income approach/market comparison approach	Market unit sale rate from RMB2,100 to RMB4,600 (31 December 2024: RMB2,500 to RMB5,200) per square meter Yield 7%-9% (31 December 2024: 5%-7.6%) Rent RMB13-53 (31 December 2024: 16) per month per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Completed residential investment properties located in Shenzhen City, Guangdong Province, the PRC	10,103	29,500	Level 3	Market comparison approach	Market unit sale rate at: RMB22,880 (31 December 2024: RMB21,167 to RMB24,530) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Commercial investment properties under construction located at Ganjingzi District, Dalian City, Liaoning Province, the PRC	208,101	214,301	Level 3	Market comparison approach	Market unit sale rate from RMB430 to RMB4,652 (31 December 2024: RMB437 to RMB3,443) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Completed industrial investment properties located at Jiangsu, the PRC	106,036	106,036	Level 3	Market comparison approach	Market unit rate at RMB1,700 to RMB3,000 (31 December 2024: RMB1,700 to RMB3,000) per square meter	A significant increase in the market unit rate would result in a significant increase in fair value, and vice versa
	346,040	1,385,836				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

17. INVESTMENT PROPERTIES *(Continued)*

Recurring fair value measurement *(Continued)*

All the market unit sale rate and rental adopted above have been determined after taking into account the time, nature, location, size, condition/layout and floor.

There was no transfer among the three levels of the fair value hierarchy during the current year and prior years.

18. GOODWILL

	RMB'000
COST	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>13,933</u>
IMPAIRMENT	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>13,933</u>
CARRYING VALUE	
At 31 December 2025	<u>–</u>
At 31 December 2024	<u>–</u>

For the purpose of impairment testing, goodwill has been allocated to an individual CGU, under financial services business. The goodwill was fully impaired during the year ended 31 December 2020.

19. OTHER NON-CURRENT ASSET

	RMB'000
COST	
At 1 January 2024	3,082
Exchange adjustment	<u>57</u>
At 31 December 2024 and 1 January 2025	3,139
Disposal	<u>(3,139)</u>
At 31 December 2025	<u>–</u>

The balance represented a membership in a private club in Hong Kong. The membership has indefinite useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

19. OTHER NON-CURRENT ASSET *(Continued)*

For the purpose of impairment testing, the carry amount of other non-current asset has been allocated to an individual CGU, under financial services business. Particulars of the impairment testing on other non-current asset are disclosed in note 16.

As at 31 December 2024, the membership of approximately RMB3,139,000 are stated at cost less accumulated impairment at the end of the reporting period. For the year ended 31 December 2024, no impairment loss has been recognised. During the year ended 31 December 2025, the Group disposed the membership at a cash consideration of approximately RMB2,370,000.

20. INTEREST IN AN ASSOCIATE

	2025 RMB'000	2024 RMB'000
Cost of investment in an associate	18,000	18,000
Share of post-acquisition profits and other comprehensive income	13,029	13,217
Total	<u>31,029</u>	<u>31,217</u>

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2025	2024	2025	2024	
Yingkou Xuncheng Technical Consulting Co., Limited (Formerly known as Liaoning BF Exchange Financial Assets Exchange Co., Limited)	PRC	PRC	20%	20%	20%	20%	Transaction of wealth products, bond products, entrustment credit right products and logistics finance products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

21. INTEREST IN A JOINT VENTURE

	2025 RMB'000	2024 RMB'000
Cost of investment in a joint venture	—	—

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2025	2024	2025	2024	
Nanjing Bao Heng Real Estate Development Co., Ltd. (note)	PRC	PRC	51%	51%	50%	50%	Inactive

Note:

On 26 April 2019, Huajun Properties Group Limited, an indirectly wholly owned subsidiary of the Company, entered into a strategic cooperation framework agreement (the "Strategic Agreement") with Hengda Real Estate Group (Nanjing) Property Company Limited, an independent third party, in relation to the formation and capital contribution of Nanjing Bao Heng Real Estate Development Co., Ltd. ("Nanjing Bao Heng"). Pursuant to certain terms and conditions stated in the Strategic Agreement, the relevant activities of Nanjing Bao Heng require unanimous approval from all joint venture partners. Nanjing Bao Heng is jointly controlled by the Group and another joint venture partner and, as such, it is accounted for as a joint venture of the Group. No changes on the cooperation framework was noted for the years ended 31 December 2025 and 2024.

As the joint venture has not started business in both financial years, there is no share of profit/loss recognised to profit or loss for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

22. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT

	2025 RMB'000	2024 RMB'000
Deposits for purchases of:		
– Plant and machineries	32,477	32,675
Less: Allowance for impairment	<u>(23,665)</u>	<u>(23,665)</u>
	<u>8,812</u>	<u>9,010</u>

As at 31 December 2025, the carrying amount of deposits for purchases or modification of plant and machineries includes:

- (a) Deposits totalling of approximately RMB7,842,000 (31 December 2024: approximately RMB8,058,000) for purchases of the machineries and other equipment, which will be used in printing segment and other segment in the PRC. Impairment losses of approximately RMB924,000 were recognised of certain machineries of other segment as at 31 December 2025 and 2024.
- (b) Deposits totalling of nil for purchases or modification of several production lines and the relevant equipment, which will be used in its manufacturing of other segment during the years ended 31 December 2025 and 2024. Impairment losses of approximately RMB22,741,000 were recognised as at 31 December 2025 and 2024.
- (c) Deposits totalling of approximately RMB970,000 (31 December 2024: approximately RMB952,000) for construction project for plants and properties which will be used in printing segment and trading and logistic segment in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Listed equity securities, at fair value (note a)	–	76
Listed fund investments, at fair value (note b)	201	442
	<u>201</u>	<u>518</u>

Classified as:

	2025 RMB'000	2024 RMB'000
Financial assets mandatorily measured at FVTPL	<u>201</u>	<u>518</u>

Analysed as:

	2025 RMB'000	2024 RMB'000
Financial assets mandatorily measured at FVTPL		
Listed in Hong Kong	–	76
Listed in overseas	201	442
	<u>201</u>	<u>518</u>

Notes:

- (a) The basis of fair value measurement of listed equity securities was quoted price of equity interest listed on the respective stock exchange markets. The fair value was measured at Level 1 fair value measurement (as defined in note 42(c)).
- (b) The basis of fair value measurement of listed fund investments was based on the reference prices provided by counterparty financial institutions. The fair value was measured at Level 2 fair value measurement (as defined in note 42(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

24. PROPERTIES HELD FOR SALE

	2025 RMB'000	2024 RMB'000
Completed properties held for sale	230,536	567,676
Properties under development for sale	103,600	104,900
	<u>334,136</u>	<u>672,576</u>
Properties to be realised after one year	<u>103,600</u>	<u>104,900</u>

All of the above properties held for sale are to be sold as part of the normal operating cycle of the Group thus they are classified as current assets.

As at 31 December 2025 and 2024, all of the above land and properties are situated in the PRC under medium or long-term leases.

As at 31 December 2025, properties held for sale with a total carrying amount of approximately RMB230,536,000 (31 December 2024: approximately RMB487,963,000) have been pledged to secure borrowings of the Group (note 46).

During the year ended 31 December 2025, a write-down on properties held for sales to their net realisable value of approximately RMB117,055,000 (31 December 2024: approximately RMB66,446,000) was recognised in profit or loss.

25. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	19,868	31,515
Work in progress	5,745	9,076
Finished goods	83,862	131,430
	<u>109,475</u>	<u>172,021</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

26. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2025 RMB'000	2024 RMB'000
Land	218,894	312,725
Buildings	4,709	3,481
Less: accumulated impairment	<u>(10,406)</u>	<u>(10,406)</u>
	<u>213,197</u>	<u>305,800</u>

At 31 December 2025, right-of-use assets of approximately RMB218,894,000 (31 December 2024: approximately RMB312,725,000) represents land use rights located in the PRC. At 31 December 2025, right-of-use assets in respect of land use rights amounting to approximately RMB127,188,000 (31 December 2024: approximately RMB197,213,000) had been pledged to secure borrowings of the Group (note 46).

Apart from the land use rights located in the PRC, the Group has lease arrangements for buildings. The lease terms generally range from one to four years.

Additions to the right-of-use assets for the year ended 31 December 2025 amounted to approximately RMB3,191,000 (31 December 2024: nil) and nil (31 December 2024: approximately RMB2,336,000) representing new leases of buildings in Hong Kong and in the PRC respectively.

(ii) Lease liabilities

	2025 RMB'000	2024 RMB'000
Non-current	2,211	1,353
Current	<u>2,411</u>	<u>2,162</u>
	<u>4,622</u>	<u>3,515</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

26. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(ii) Lease liabilities *(Continued)*

	2025 RMB'000	2024 RMB'000
Amounts payable under lease liabilities		
Within one year	2,411	2,162
In more than one year but not more than two years	1,089	1,353
In more than two years but not more than five years	1,122	–
	<u>4,622</u>	<u>3,515</u>
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(2,411)</u>	<u>(2,162)</u>
Amounts due for settlement after 12 months	<u>2,211</u>	<u>1,353</u>

During the year ended 31 December 2025, the Group entered into a number of new lease agreements in respect of renting properties (31 December 2024: properties) and recognised lease liability of approximately RMB3,191,000 (31 December 2024: approximately RMB2,336,000).

During the year ended 31 December 2024, the Group terminated a lease agreement in respect of a dormitory building and derecognised lease liabilities of approximately RMB3,679,000 with a gain on early termination of lease of approximately RMB52,000.

(iii) Amounts recognised in profit or loss

	2025 RMB'000	2024 RMB'000
Depreciation expense on right-of-use assets		
– Land	8,962	8,544
– Buildings	1,963	3,330
	<u>10,925</u>	<u>11,874</u>
Interest expense on lease liabilities	168	192
Expense relating to short-term leases	<u>209</u>	<u>124</u>

(iv) Others

During the year ended 31 December 2025, the total cash outflow for leases amounted to approximately RMB2,420,000 (31 December 2024: approximately RMB3,469,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Trade receivables		
– goods and services	173,444	210,135
Less: allowance for credit losses	<u>(104,275)</u>	<u>(105,040)</u>
	<u>69,169</u>	<u>105,095</u>
Deposits and other receivables (note a)	2,435,759	1,718,469
Less: allowance for credit losses	<u>(1,598,704)</u>	<u>(901,414)</u>
	<u>837,055</u>	<u>817,055</u>
Prepayments (note b)	<u>109,416</u>	<u>109,563</u>
Total	<u><u>1,015,640</u></u>	<u><u>1,031,713</u></u>

As at 1 January 2024, the gross amount of trade receivables from contracts with customers amounted to approximately RMB209,439,000.

At as 31 December 2025, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB173,444,000 (31 December 2024: approximately RMB210,135,000).

The Group allows credit term to selected customers on a case-by-case basis depending on the business relationship with and creditworthiness of the respective customers.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

	2025 RMB'000	2024 RMB'000
0 – 30 days	55,003	64,654
31 – 90 days	14,166	23,254
91 – 180 days	–	9,745
Over 180 days	<u>–</u>	<u>7,442</u>
	<u><u>69,169</u></u>	<u><u>105,095</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

As at 31 December 2025, the Group did not hold any bills. As at 31 December 2024, total bills received amounting to approximately RMB3,283,000 are held by the Group for future settlement of trade receivables, of which certain bills were further endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

Other than the bills received, the Group did not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is set out in note 42(b).

Details of impairment assessment of trade and other receivables as at 31 December 2025 and 2024 are set out in note 42(b).

Notes:

(a) Detailed analysis for deposits and other receivables is as follows:

	2025 RMB'000	2024 RMB'000
Deposits paid to/for:		
– Rental deposits paid	971	921
– Acquisition of a property project and prepaid procurement fee (note i)	340,000	340,000
– Others	–	129
Other receivables from:		
– Receivables from disposal of an investment property (note ii)	11,772	11,772
– Receivables from former subsidiaries (note iii)	1,237,077	655,564
– Receivables from a litigation (note iv)	533,482	514,555
– Others (note v)	262,056	142,517
Other taxes receivables (note vi)	50,401	53,011
	2,435,759	1,718,469
Less: allowance for credit losses	(1,598,704)	(901,414)
	837,055	817,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

- (i) As at 31 December 2025, the amounts represented deposits paid of RMB210,000,000 for the acquisition of a property development and investment project and prepaid service fee of RMB130,000,000 for the procurement of certain landlords from a village in the Guangdong Province in the PRC. The transactions were not completed based on stipulated timeline and therefore is subject to refund from the counterparty. The Group has filed a claim against the counterparty to recover the balances. The hearing date is set on 8 April 2021 and the court issued an order to freeze bank deposit or equivalent assets held by the counterparty for approximately RMB400,000,000. On 6 September 2021, the Yingkou Intermediate People's Court handed down the judgement which counterparty is required to refund all deposit paid by the Company. On 26 September 2021, the counterparty filed an objection on the original verdict. And on 6 July 2022, Liaoning High People Court handed down the judgement of appeal which withhold the original verdict.

A lifetime ECL of approximately RMB340,000,000 (31 December 2024: approximately RMB210,458,000) has been provided in respect of the receivable balance.

- (ii) The amount represented receivable from disposal of certain property units to an independent third party in prior years. The Directors consider that the entire balance is credit impaired and full impairment loss was recognised in the previous years.
- (iii) The receivable represents amounts due from Baohua Properties (Jiangsu) Co., Ltd. ("Baohua Jiangsu") as at the date of liquidation of approximately RMB655,564,000, Huajun Properties (Jiangyin) Co., Ltd. ("Jiangyin Properties") as at the date of liquidation of approximately RMB564,774,000 and Dalian Hydraulic as at the date of deconsolidation of approximately RMB16,739,000.

A petitioner presented a bankrupt liquidation petition (the "Petition") against Baohua Jiangsu, in the Court of People's Court of Gaoyou City, Jiangsu Province* ("Gaoyou People's Court"). According to the "Civil Judgement" dated 13 January 2023 issued by the Gaoyou People's Court, the application of the Petition was accepted. On 28 January 2023, Gaoyou People's Court issued a decision letter for the designation of a group of individuals as the bankruptcy administrators to handle the bankruptcy liquidation of Baohua Jiangsu. As a result of the bankrupt liquidation petition against Baohua Jiangsu and the appointment of Bankruptcy Administrator, the Company has effectively lost the control over Baohua Jiangsu and the results of operations and financial position of Baohua Jiangsu have not been consolidated into the consolidated financial statements of the Company as Baohua Jiangsu is considered no longer a subsidiary of the Company since February 2023 (the "Baohua Jiangsu Liquidation").

During the year ended 31 December 2025, Jiangyin Properties entered into bankruptcy liquidation proceedings pursuant to a court order. As a result, the Company effectively lost control over Jiangyin Properties. Accordingly, the results of operations and financial position of Jiangyin Properties have not been consolidated into the Company's consolidated financial statements, as Jiangyin Properties has been considered no longer a subsidiary since November 2025.

A lifetime ECL of approximately RMB655,564,000 (31 December 2024: approximately RMB655,564,000) and RMB564,774,000 has been provided in respect of the receivable balance on Baohua Jiangsu and Jiangyin Properties respectively. A 12-months ECL of approximately RMB321,000 have been provided in respect of the receivable balance on Dalian Hydraulic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

- (iv) The amount mainly represented receivable from legal auction of a project of investment properties under development and properties held for sale in Shanghai to an independent third party during the year ended 31 December 2023.

During the year ended 31 December 2025, Shanghai Financial Court (上海金融法院) issued a ruling in respect of the distribution of the amount of approximately RMB511,678,000. Such receivable is withheld by Shanghai Financial Court as at 31 December 2025 and up to the date of these consolidated financial statements.

No ECL has been provided in respect of the receivable balance.

- (v) The amount mainly represented receivables from other debtors arising from daily operations. A 12-months ECL of approximately RMB5,297,000 (31 December 2024: approximately RMB2,643,000) and a lifetime ECL of approximately RMB20,964,000 (31 December 2024: approximately RMB20,964,000) have been provided in respect of the receivable balance.
- (vi) The amount mainly represented value-added tax arising from the receipts in advance on properties pre-sold under the Group's property development and investment business.

Details of impairment assessment of deposits and other receivables as at 31 December 2025 and 2024 are set out in note 42(b).

(b) Detailed analysis for prepayments is as follow:

	2025 RMB'000	2024 RMB'000
Prepayments to suppliers, in respect of:		
– solar photovoltaic business	358	358
– petrochemical and other related products	70,281	69,144
– property development	3,191	4,301
Deemed prepayments to subcontractors for properties held for sale	34,746	34,746
Other prepayments	840	1,014
	<u>109,416</u>	<u>109,563</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

28. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/ RESTRICTED BANK BALANCES

As at 31 December 2025, bank balances carry interest at prevailing market rates which ranged from 0.001% to 0.35% (31 December 2024: 0.05% to 0.35%) per annum.

Pledged bank deposits represented deposits pledged to banks to secure borrowings to the Group. The deposits are carrying fixed interest at 0.05% (31 December 2024: ranged from 0.10% to 0.19%) per annum. The pledged bank deposits will be released upon the repayment of relevant borrowings.

The restricted bank balances represented bank balances that are frozen due to default of bank borrowings and ongoing court cases. Out of the balances, approximately RMB6,492,000 (31 December 2024: approximately RMB14,205,000) was frozen by courts due to default of bank borrowings.

As at 31 December 2025, pledged bank deposits and restricted bank balances of approximately RMB939,000 and RMB6,492,000 (31 December 2024: approximately RMB930,000 and RMB14,205,000) have been pledged to secure borrowings of the Group (note 46).

Details of impairment assessment of bank balances and pledged bank deposits as at 31 December 2025 and 2024 are set out in note 42(b).

29. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

	2025 RMB'000	2024 RMB'000
Trade payables	175,444	191,219
Construction payables	2,565	1,046
	178,009	192,265
Accrued construction cost	309,149	309,159
Deposits received (note a)	11,042	12,719
Other payables (note b)	6,000,831	5,983,831
Other accruals	80,648	64,601
	6,579,679	6,562,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

29. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

(Continued)

The following is an aged analysis of trade payables and construction payables based on the invoice date at the end of the reporting period.

	2025 RMB'000	2024 RMB'000
0 to 30 days	16,776	28,537
31 to 90 days	13,197	13,868
91 to 365 days	17,433	15,519
Over 365 days	130,603	134,341
	<u>178,009</u>	<u>192,265</u>

The average credit period on purchase and construction cost is arranging from 30 to 90 days. The Group has financial risk management policies in place to monitor that all trade payables are settled within the credit timeframe.

Notes:

(a) Detailed analysis for deposits received is as follow:

	2025 RMB'000	2024 RMB'000
Rental deposit received	8,342	10,019
Others	2,700	2,700
	<u>11,042</u>	<u>12,719</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

29. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

(Continued)

(b) Detailed analysis for other payables is as follow:

	2025 RMB'000	2024 RMB'000
Other tax payables	81,872	77,008
Interest and penalty payables	2,684,434	2,655,059
Payables to former subsidiaries (note)	3,117,624	3,109,817
Others	116,901	141,947
	6,000,831	5,983,831

Note: The balance represented payables to former subsidiaries under liquidation and deconsolidation, comprising approximately RMB3,109,767,000 relating to Huajun Wuxi and approximately RMB320,000 relating to Jiangyin Properties, both of which were under liquidation, and approximately RMB7,537,000 relating to Dalian Hydraulic following its deconsolidation.

On 8 September 2022, Jiangsu People's Court issued a "Decision on the Designation of Bankruptcy Administrator", the Huajun Wuxi Bankrupt Liquidation Team established by the management committee of the former Wuxi Taihu National Tourism Resort* (前無錫太湖國家旅遊度假區) was designated as the bankruptcy administrator of the liquidation case of Huajun Wuxi. As a result of the bankrupt liquidation petition against Huajun Wuxi and the appointment of Bankruptcy Administrator, the Company has effectively lost the control over Huajun Wuxi and the results of operations and financial position of Huajun Wuxi have not been consolidated into the consolidated financial statements of the Company as Huajun Wuxi is considered no longer a subsidiary of the Company since September 2022 (the "Huajun Wuxi Liquidation").

During the year ended 31 December 2025, the Company lost the control over Dalian Hydraulic and Jiangyin Properties, and the results of operations and financial position of Dalian Hydraulic and Jiangyin Properties have not been consolidated into the consolidated financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS

	2025 RMB'000	2024 RMB'000
Bank borrowings	3,420,749	4,858,178
Other borrowing	57,346	58,407
	<u>3,478,095</u>	<u>4,916,585</u>
Secured	3,473,095	4,911,585
Unsecured	5,000	5,000
	<u>3,478,095</u>	<u>4,916,585</u>
Carrying amount repayable based on repayment schedule:		
Within one year	<u>3,478,095</u>	<u>4,916,585</u>

The exposure of the Group's borrowings and the contractual maturity dates (or reset dates) are as follows:

	2025 RMB'000	2024 RMB'000
Fixed-rate borrowings		
Within one year	<u>3,478,095</u>	<u>4,916,585</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2025	2024
Effective interest rate:		
– Fixed-rate borrowings	4.35% – 15.4%	4.35% – 15.4%
– Variable-rate borrowings	<u>N/A</u>	<u>N/A</u>

- (a) As at 31 December 2025, certain banking facilities and loans which are approximately of RMB3,473,095,000 (31 December 2024: RMB4,911,585,000) granted to the Group are secured by the Group's assets. Details of the pledged assets are disclosed in note 46. Details of the Group's management of liquidity risk are set out in note 42(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (b) During the year ended 31 December 2025, the Group has obtained certain new bank borrowings of RMB5,000,000 (31 December 2024: RMB5,000,000) from a commercial bank. As at 31 December 2025, the total outstanding principal amount of approximately RMB3,473,095,000 (31 December 2024: approximately RMB4,911,585,000) was in default and details of material defaulted borrowings are set out below.
- (c) In respect of a borrowing with an outstanding principal of RMB1,440,000,000, the Group breached the repayment terms of which the loan principal of RMB240,000,000 was in default since 27 March 2020. The loan was granted by China Great Wall Asset Management Co., Ltd. – Shanghai Branch* (“China Great Wall”) to Baohua Properties Development (Shanghai) Co., Ltd.* (“Baohua Shanghai”), an indirect wholly-owned subsidiary of the Company. The borrowing was secured by the shares of Baohua Real Estate (Dalian) Co., Ltd.* (“Baohua Real Estate Dalian”), the Group’s investment properties and properties held for sale with carrying value of nil and nil (31 December 2023: nil and nil) as at 31 December 2024 and guaranteed by the Company, Huajun Holdings Group Co., Ltd.* (a company controlled by Mr. Meng), Mr. Meng and his spouse (together referred to as the “Guarantors”). Pursuant to the terms of the loan agreement, China Great Wall had a discretionary right to demand immediate full repayment of the outstanding principal of RMB1,440,000,000 together with any unpaid interest. On 9 June 2020, China Great Wall issued a payment notice and demanded repayment of the principals of RMB1,440,000,000 and penalty interest immediately.

On 2 November 2020, the Group received a notice dated 30 October 2020 from the Shanghai Huangpu Notary Public Office* (“Shanghai Notary Office”) (the “Notice”), stating that the lender has applied for the issuance of execution certificate (the “Execution Certificate”) to the Group due to the alleged failure of Baohua Shanghai to repay the loan within the specified period. According to the Notice, Baohua Shanghai has the right to object to the issuance of the Execution Certificate within five days after receiving the Notice. On 5 November 2020, Baohua Shanghai submitted an objection letter against the issuance of the Execution Certificate to Shanghai Notary Office. On 28 December 2020, Baohua Shanghai received a second notice dated 23 November 2020 from Shanghai Notary Office, which stated that Baohua Shanghai’s objection against the issuance of the Execution Certificate was not accepted. Baohua Shanghai received further notices from Shanghai Notary Office dated 25 December 2020 and 8 January 2021 respectively in respect of amendments to the computation of compound interest, penalty interest and damages from the default of borrowings. On 11 January 2021, the Execution Certificate was issued by Shanghai Notary Office, pursuant to which China Great Wall can use the Execution Certificate for application to the relevant courts of the PRC for enforcement of immediate repayment on the principal and all outstanding interest. According to the Execution Certificate, the total interest including normal interest, penalty interest, compound interest and damages shall not exceed 24% per annum. On 10 February 2021, the Shanghai Financial Court issued a notice of execution against Baohua Shanghai, pursuant to which Baohua Shanghai was ordered to pay the outstanding balance of the borrowing plus interest to China Great Wall. On the same date, the Shanghai Financial Court also issued an asset report order against Baohua Shanghai, Baohua Real Estate Dalian and the Guarantors pursuant to which the Guarantors are required to report their assets and relevant financial information to the court.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

(c) *(Continued)*

One of the Guarantors, Huajun Holdings Group Co., Ltd., has submitted an application for non-enforcement to the Shanghai Financial Court in accordance with the law. In July 2021, the Shanghai Financial Court released a judgment to reject the application for non-enforcement and an application for review of judgement was submitted. The review of judgement was rejected by Shanghai Financial Court in October 2021. In November and December 2022, certain investment properties under development and properties held for sale of Baohua Shanghai pledged for the loan were enforced to judicial auctions and those properties were sold for a consideration of approximately RMB2,170,000,000 in May 2023. On 20 June 2023, Shanghai Financial Court released a judgment, stating approximately RMB1,652,000,000 out of the total proceeds from judicial auctions of RMB2,170,000,000 has been used to settle the outstanding principal and other related interest.

As at 31 December 2024, the remaining proceeds (after deducting of related enforcement expenses) from judicial auctions of RMB511,678,000 were under custodial by the Shanghai Financial Court and recorded in trade and other receivables in the consolidated statement of financial position, and outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB558,185,000 were included in other payables.

On 5 June 2025, Shanghai Financial Court released a judgment, stating approximately RMB291,667,000 out of the remaining proceeds from judicial auctions of RMB511,678,000 are to be used to settle the outstanding interest, penalty interest, compound interest and damages. On 26 June 2025, the Group announced the formal effectiveness of its debt restructuring scheme, pursuant to which outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB266,518,000, which is subject to adjudication under the terms of the Scheme, were brought within the scope of the restructuring because the Company is one of the guarantors of such loan. Considering the proceeds are to be released by the Shanghai Financial Court, the Directors considered the obligation remains in the Group should be RMB266,518,000 at the effective date of the debt restructuring scheme. Further details refer to note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (d) In respect of a borrowing with an outstanding principal of RMB8,439,000 (31 December 2024: RMB22,483,000), the Group breached the repayment terms of which the entire loan principal of RMB31,796,000 was in default since 8 June 2020. The loan was granted by Zheshang Bank Co., Ltd.* (“Zheshang Bank”) to Shenzhen Huajun Financial Leasing Co., Ltd. (“Shenzhen Huajun Financial Leasing”), a 70% owned subsidiary of the Company.

On 10 July 2020, Zheshang Bank filed a claim to Shenzhen Futian District People’s Court* against Shenzhen Huajun Financial Leasing for the outstanding principal of RMB32,000,000 plus unpaid interest (including penalty interest and additional interest) of approximately RMB332,000 and the penalty interest and compound interest shall be calculated at 8.34% per annum. The hearing of the claim was held on 16 September 2020. On 3 December 2020, Shenzhen Futian District People’s Court handed down a judgement to demand Shenzhen Huajun Financial Leasing to repay the outstanding principal and interest (including penalty interest and compound interest) of approximately RMB32,000,000 and RMB1,320,000 accumulated up to 19 November 2020. Thereafter, penalty interest and compound interest shall be calculated at 8.34% per annum. On 30 December 2020, Shenzhen Huajun Financial Leasing filed an appeal to the Guangdong, Shenzhen Intermediate People’s Court* against the interest rate determined by the Shenzhen Futian District People’s Court. On 11 May 2021, the Guangdong, Shenzhen Intermediate People’s Court handed down the judgement of appeal which withhold the original verdict. On 9 June 2021, an enforcement notice was received. During the year ended 31 December 2022, certain investment properties of the Group pledged for the loan were enforced to judicial auction and certain properties have been sold for approximately RMB11,902,000 and all proceeds had been repaid to Zheshang Bank.

During the year ended 31 December 2025, certain investment properties of the Group pledged for the loan were enforced to judicial auction and certain properties have been sold for approximately RMB14,132,000 and net proceeds after deducting certain judicial expenses had been repaid to Zheshang Bank.

As at 31 December 2025, the entire outstanding bank borrowing of RMB8,439,000 (31 December 2024: RMB22,483,000) was classified as current liabilities and its outstanding interest of RMB108,000 (31 December 2024: RMB108,000) and penalty interest and compound interest of approximately RMB12,202,000 (31 December 2024: approximately RMB10,291,000) based on the judgement rate at 8.34% (31 December 2024: 8.34%) per annum was included in other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (e) In respect of two borrowings with total outstanding principal of RMB1,521,245,000 (31 December 2024: RMB2,658,800,000), the Group has not repaid the entire outstanding principals. The loan was granted by Liaoshen Bank* to Huajun Properties (Dalian) Company Limited* (“Huajun Properties (Dalian)”), an indirect wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB2,658,800,000 together with any unpaid interest. On August 2021, Liaoshen Bank* filed claims to Yingkou Court* against Huajun Properties (Dalian) and an order was granted by the Yingkou Court to freeze and preserve the Dalian Office Complex. The first hearing for claims has been held on 23 November 2021 and Yingkou Court handed down a judgement to demand Huajun Properties (Dalian) to repay the outstanding principal and relevant interest.

The Dalian Office Complex included in investment properties under development of the Group pledged for the loan was enforced to judicial auction in October 2022 but failed to sell the Dalian Office Complex after two rounds of legal auctions. During the year ended 31 December 2025, the creditor has applied to the Yingkou Court for execution for transfer of title of the Dalian Office Complex to the creditor, with reference to the 2nd legal auction base price of approximately RMB1,412,737,000 and was approved by the Yingkou Court in December 2025.

As at 31 December 2025, the entire outstanding bank borrowing of RMB1,521,245,000 (31 December 2024: RMB2,658,800,000) was classified as current liabilities and its outstanding interest of RMB1,097,423,000 (31 December 2024: RMB951,586,000) at a rate of 10.725% per annum based on the Yingkou Court’s judgement were included in other payables.

- (f) In respect of a borrowing with an outstanding principal of RMB56,700,000, the Group has not repaid the entire outstanding principal and in default since 4 September 2021. The loan was granted by Liaoshen Bank to Huajun Power Technology (Jiangsu) Co., Ltd.*, an indirect wholly-owned subsidiary of the Company. On 7 December 2021, an order was granted by Yingkou West District Court* to freeze and preserve two solar photovoltaic production lines. On 22 November 2022, an enforcement notice was issued by Yingkou West City District Court.

As at 31 December 2025, the entire outstanding bank borrowing of RMB56,700,000 (31 December 2024: RMB56,700,000) was classified as current liabilities and outstanding interest of approximately RMB38,854,000 (31 December 2024: approximately RMB31,250,000) based on contractual terms was included in other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (g) In respect of a borrowing with outstanding principal of RMB57,346,000 (31 December 2024: RMB58,407,000) from a private company incorporated in Hong Kong, the Group breached the repayment terms of which the outstanding principal of RMB57,346,000 (31 December 2024: RMB58,407,000) was classified as current liabilities and outstanding interest and penalty interest of approximately RMB8,831,000 (31 December 2024: RMB7,393,000) were included in other payables. In January 2022, the Company has entered into a deed with the lender to provide further collaterals including certain land and buildings held by a subsidiary in the PRC, corporate guarantees of two subsidiaries of the Company and 100% equity pledged of a subsidiary in the PRC. Both counterparties agreed not to demand for repayment until 28 July 2022. In July 2022, a notice of arbitration was issued by Shenzhen Court of International Arbitration* (“Shenzhen Arbitration”) to two subsidiaries of the Company and an arbitration hearing was held in September 2022. The Shenzhen Arbitration has released the judgement in June 2023 and decided that the subsidiaries of the Company to undertake the guarantee obligation of the Company’s outstanding loan principal and interest.

During the year ended 31 December 2024, the lender has applied for execution of the judgement of the Shenzhen Arbitration and a sum of RMB113,940,000 was repaid to the lender directly by Dongguan Intermediate People’s Court* which previously withheld certain amount of proceeds from legal auction of a piece of land. For details, please refer to note 27(a)(iii).

On 26 June 2025, the Group announced the formal effectiveness of its debt restructuring scheme, pursuant to which outstanding interest of approximately RMB18,149,000, which is subject to adjudication under the terms of the Scheme, were brought within the scope of the restructuring. Further details refer to note 31.

As at 31 December 2025, the entire outstanding bank borrowing of RMB57,346,000 (31 December 2024: RMB58,407,000) was classified as current liabilities and its outstanding interest of RMB8,831,000 (31 December 2024: RMB7,393,000) at a rate of 15.4% per annum based on the Shenzhen Arbitration’s judgement were included in other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (h) In respect of a borrowing with an outstanding principal of RMB87,415,000 (31 December 2024: RMB199,659,000), the Group breached the repayment terms of which the entire loan principal of RMB199,659,000 was in default since 10 August 2020. The borrowing was granted by Jiangsu Jiangnan Rural Commercial Bank Co., Ltd. (“Jiangnan Rural Bank”) to Huajun Properties (Changzhou) Company Limited* (“Huajun Changzhou”), a wholly-owned subsidiary of the Company and was guaranteed by Huajun Power Group Co., Ltd. and the Company. In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court* against Huajun Changzhou. The first hearing for claims was held in December 2021 and January 2022. As at 31 December 2022, the Changzhou Intermediate Court has handed down a judgement to demand Huajun Changzhou to repay all outstanding principal and relevant interest. Jiangnan Rural Bank transferred the loan receivables to China Great Wall Asset Management Co. Ltd. – Jiangsu province Branch* (“China Great Wall – Jiangsu”), China Great Wall – Jiangsu filed several claims to Changzhou Intermediate Court in October 2022 and court hearing was subsequently held on 28 February 2023. On 1 July 2024, enforcement judgments were issued by Changzhou Intermediate Court.

During the year ended 31 December 2025, certain properties of the Group pledged for the loan were enforced for judicial auction and were sold for approximately RMB47,955,000. The net proceeds, after deducting certain judicial expenses and an amount of approximately RMB5,000,000 withheld by Changzhou Intermediate Court, were repaid to China Great Wall – Jiangsu.

On 26 June 2025, the Group announced the formal effectiveness of its debt restructuring scheme, pursuant to which outstanding principal of RMB87,415,000 and outstanding interest of approximately RMB56,049,000, which are subject to adjudication under the terms of the Scheme, were brought within the scope of the restructuring because the Company, as one of the guarantors of the loan, was required by the Changzhou Intermediate Court to bear certain portion of the indebtedness. Further details refer to note 31.

As at 31 December 2025, the entire outstanding bank borrowing of approximately RMB87,415,000 (31 December 2024: approximately RMB199,659,000) was classified as current liabilities and outstanding interest, penalty interest and compound interest of approximately RMB56,049,000 (31 December 2024: approximately RMB91,329,000) were included under other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (i) In respect of a borrowing with an outstanding principal of RMB479,900,000 (31 December 2024: RMB481,580,000), the Group breached the repayment terms of which entire loan principal of RMB489,900,000 was in default since 24 February 2022. The borrower of the loan was New Island Printing (Liaoning) Limited* (“NIP (Liaoning)”), a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management Company Limited* (“Liaoning Assets Management”) filed a claim to Liaoning Yingkou Intermediate Court* against NIP (Liaoning). The first hearing for the claim was held in August 2022 and has handed down a judgement to demand NIP (Liaoning) to repay all outstanding principal and relevant interest. Certain investment properties of the Group located in Dalian pledged for the loan were enforced to judicial auctions and one of the investment properties was sold in auction held in December 2022 for a consideration of approximately RMB60,913,000 and another investment property was sold for a consideration of approximately RMB47,762,000 in February 2023. Such proceeds from auctions are to be repaid to Liaoning Assets Management by the court directly.

As at 31 December 2025, the entire outstanding bank borrowing of RMB479,900,000 (31 December 2024: RMB481,580,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB156,386,000 (31 December 2024: approximately RMB109,929,000) were included in other payables.

- (j) In respect of a borrowing with an outstanding principal of RMB300,000,000 (31 December 2024: RMB300,000,000), the Group breached the repayment terms of which entire loan principal of RMB300,000,000 was in default since 30 July 2021. The borrower of the loan was Huajun Logistics Group Limited* (“Huajun Logistics”), a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management filed a claim to Liaoning Yingkou Intermediate Court against Huajun Logistics. In September 2022, Liaoning Yingkou Intermediate Court has handed down a judgement to demand Huajun Logistics to repay all outstanding principal and relevant interest to Liaoning Assets Management.

As at 31 December 2025, the entire outstanding bank borrowing of RMB300,000,000 (31 December 2024: RMB300,000,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB208,333,000 (31 December 2024: approximately RMB168,640,000) were included in other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (k) In respect of a borrowing with an outstanding principal of RMB328,065,000 (31 December 2024: RMB328,065,000), the Group breached the repayment terms of which entire loan principal of RMB328,065,000 was in default since 25 September 2021. The borrower of the loan was Huajun Power Technology (Jiangsu) Co., Ltd.* (“HPT Jiangsu”), a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management filed a claim to Liaoning Yingkou Intermediate Court against HPT Jiangsu. The first hearing for the claim is scheduled to be held in August 2022. In September 2022, Liaoning Yingkou Intermediate Court has handed down a judgement to demand HPT Jiangsu to repay all outstanding principal and relevant interest to Liaoning Assets Management.

As at 31 December 2025, the entire outstanding bank borrowing of RMB328,065,000 (31 December 2024: RMB328,065,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB184,060,000 (31 December 2024: approximately RMB135,018,000) were included in other payables.

- (l) In respect of a borrowing with an outstanding principal of RMB79,000,000 (31 December 2024: RMB79,000,000), the Group breached the interest repayment terms of the loan which was granted by Jurong Rural Commercial Bank* (“Jurong Rural Bank”) with loan principal maturity in July 2024. The borrower of the loan was HPT Jiangsu. During the year ended 31 December 2022, Jurong Rural Bank filed a claim to Jurong People’s Court* against HPT Jiangsu. In September 2022, the Jurong People’s Court has handed down a judgement to demand HPT Jiangsu to repay the principal and related interest to Jurong Rural Bank.

As at 31 December 2025, the entire outstanding bank borrowing of RMB79,000,000 (31 December 2024: RMB79,000,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB37,947,000 (31 December 2024: approximately RMB28,957,000) were included in other payables.

- (m) In respect of a borrowing with an outstanding principal of RMB261,668,000 (31 December 2024: RMB261,668,000), the Group breached the repayment terms of which entire loan principal of RMB261,668,000 was in default since April 2022. The borrower of the loan was Guofu Minfeng Industrial (Yingkou) Company Limited* (“GFMF”), a wholly-owned subsidiary of the Company. In October 2022, Yingkou Bayuquan District Court has handed down a judgement to demand GFMF to repay all outstanding principal and relevant interest to Liaoning Assets Management.

As at 31 December 2025, the entire outstanding bank borrowing of RMB261,668,000 (31 December 2024: RMB261,668,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB205,672,000 (31 December 2024: approximately RMB174,272,000) were included in other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (n) In respect of a borrowing with an outstanding principal of RMB95,605,000 (31 December 2024: RMB107,046,000), the Group breached the repayment terms of which entire loan principal was in default since July 2021. The borrower of the loan was Huajun Energy Group Ltd.* (“HJ Energy”), an indirect wholly-owned subsidiary of the Company. In August 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against HJ Energy. The first hearing for the claim was held on 23 September 2022. No judgement has been released up to the date of these consolidated financial statements.

As at 31 December 2025, the entire outstanding bank borrowing of RMB95,605,000 (31 December 2024: RMB107,046,000) was classified as current liabilities and outstanding interest of approximately RMB53,634,000 (31 December 2024: approximately RMB40,016,000) was included in other payables.

- (o) In respect of a borrowing with an outstanding principal of RMB148,720,000 (31 December 2024: RMB199,720,000), the Group breached the repayment terms of which entire loan principal was in default since April 2022. The borrower of the loan was Huaren Power (Jiangsu) Co. Ltd.* (“Huaren Power Jiangsu”), a wholly-owned subsidiary of the Company. In January 2022, Yingkou Intermediate People’s Court has handed down a judgment to demand Huaren Power Jiangsu to repay all outstanding principal and relevant interest to Yingkou Coastal Bank*.

During the year ended 31 December 2025, certain properties of the Group pledged as collateral for loans were disposed of via judicial auction for approximately RMB51,000,000. The net proceeds were subsequently repaid to Yingkou Coastal Bank.

As at 31 December 2025, the entire outstanding bank borrowing of RMB148,720,000 (31 December 2024: RMB199,720,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB173,174,000 (31 December 2024: approximately RMB144,453,000) were included in other payables.

- (p) In respect of a borrowing with an outstanding principal of RMB109,420,000, the Group breached the repayment terms of which entire loan principal was in default since July 2022. The borrower of the loan was Dalian Hydraulic, a wholly-owned subsidiary of the Company. In November 2022, Zhongshan District People’s Court of Dalian Municipality* has handed down a judgment to demand Dalian Hydraulic to repay all outstanding principal and relevant interest to Shengjing Bank Company Limited Dalian Branch*.

As at 31 December 2024, the entire outstanding bank borrowing of RMB109,420,000 was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB49,975,000 were included in other payables. During the year ended 31 December 2025, the entire outstanding bank borrowing of RMB109,420,000, outstanding interest, penalty and compound interest of approximately RMB49,975,000 were derecognised upon deconsolidation of Dalian Hydraulic. No guarantee provided by the Group to Dalian Hydraulic at the date of deconsolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

30. BORROWINGS *(Continued)*

- (q) In respect of a borrowing with an outstanding principal of RMB48,992,000 (31 December 2024: RMB48,992,000), the Group breached the repayment terms of which entire loan principal was in default since June 2021. The borrower of the loan was Huajun Big Hotel Ltd.*, a wholly-owned subsidiary of the Company. In May 2023, Dalian Economic & Technological Development Zone People's Court* has handed down a judgment to demand Huajun Big Hotel Ltd. to repay all outstanding principal and relevant interest to Shengjing Bank Company Limited Dalian Branch.

As at 31 December 2025, the entire outstanding bank borrowing of RMB48,992,000 (31 December 2024: RMB48,992,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB36,409,000 (31 December 2024: approximately RMB29,971,000) were included in other payables.

31. DEBT RESTRUCTURING

Effective on 26 June 2025, the carrying amount of the company's existing debts, comprising corporate bonds amounting to approximately RMB97,753,000, borrowings of approximately RMB87,415,000 due by a subsidiary and guaranteed by the Company (note 31(h)), outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB322,567,000 related to a loan due by two subsidiaries and guaranteed by the Company were discharged in exchange for the issuance of new scheme liabilities under option A ("Option A") and scheme liabilities under option B ("Option B"), pursuant to the debt restructuring scheme. In addition, certain outstanding interest of RMB18,149,000 (note 31(g)) for loan of the Company and the existing amount due to immediate holding company of approximately RMB101,810,000 was discharged in exchange for the issuance of new scheme liabilities under option B. All of the claims are subject to adjudication under the terms of the Scheme.

On 5 June 2025, Shanghai Financial Court released a judgment to Baohua Shanghai, stating approximately RMB291,667,000 out of the remaining proceeds from judicial auctions of RMB511,678,000 are to be used to settle the outstanding interest, penalty interest, compound interest and damages. However, the creditor claimed a debt of approximately RMB529,288,000 against Baohua Shanghai under the debt restructuring scheme. Considering the proceeds will be released by the Shanghai Financial Court, the Directors considered that the obligation remains in the Group should be approximately RMB237,621,000 at the effective date of the debt restructuring scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

31. DEBT RESTRUCTURING *(Continued)*

The following table summarises the key terms of the scheme liabilities.

Description	Amount of indebtedness	Key terms	Interest rate	Maturity date
Scheme liabilities of Option A	HKD62,100,000	The maturity date for the repayment to Option A Creditors will be deferred to the date falling on 60 months with 5 unequal instalments of HK\$62.1 million in aggregate for all Option A Creditors from the Restructuring Effective Date	N/A	26 June 2030
Scheme liabilities of Option B (Note)	HKD30,706,000	On or before falling on 96 months from the Restructuring Effective Date ("the First Maturity Date"), the Company has the right at its absolute discretion to further extend the maturity date for two years from time to time; The Company has the right to redeem all or part of the Remaining Principal at its option commencing from the First Maturity Date. If the Company elects to redeem, then the redemption will be at 70% of the Remaining Principal (i.e., 49% of Admitted Claim) as full and final payment of all the Admitted Claims of the respective Option B Creditors under the Scheme.	(Note)	26 June 2033
Amount due to the immediate holding company (Note)	HKD105,793,000	at its absolute discretion to further extend the maturity date for two years from time to time; The Company has the right to redeem all or part of the Remaining Principal at its option commencing from the First Maturity Date. If the Company elects to redeem, then the redemption will be at 70% of the Remaining Principal (i.e., 49% of Admitted Claim) as full and final payment of all the Admitted Claims of the respective Option B Creditors under the Scheme.	(Note)	26 June 2033

Note:

The interest rate for the Option B remaining principal for the respective period will be as follows:

Year from the restructuring effective date	Interest rate per annum
Year 1 to Year 8	0.5%
Year 9 to Year 10	1.0%
Year 11 to Year 12	1.5%
Year 13 to Year 14	2.0%
Year 15 and afterwards	Hong Kong Interbank Offered Rate plus 2.0%

The interest may be paid in cash or paid in kind, at the election of the Company.

With respect to any accrued and unpaid interest during the first ninety six months (8 years) period after the restructuring effective date, the Company may elect by giving notice in writing to Scheme Creditors whom have elected Option B not less than 5 business days prior to the relevant interest payment date to pay all or a portion of such interest in paid-in-kind interest (such interest, "PIK Interest") instead of cash interest. If the Company so elects, such PIK Interest shall accrue 0.5 percentage per annum during the first ninety six months period after the restructuring effective date, or from the most recent interest payment date to which cash interest or PIK Interest has been paid or duly provided for less the percentage points paid in cash interest, payable on such interest payment date by increasing the principal amount of the Option B remaining principal amount of such PIK Interest accrued for such interest period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

31. DEBT RESTRUCTURING *(Continued)*

The debt restructuring scheme was regarded as a substantial modification under the relevant accounting standard. As a result, the existing debts, comprising corporate bonds amounting to approximately RMB97,753,000, borrowings of approximately RMB87,415,000, outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB340,716,000, and amount due to the immediate holding company of approximately RMB101,810,000, respectively were fully derecognised. The following new financial liabilities were recognised at their fair values at the claim bar date of the debt restructuring (i.e. 26 September 2025):

- (1) Scheme liabilities under Option A recognised at fair value of approximately RMB37,241,000;
- (2) Scheme liabilities under Option B recognised at fair value of approximately RMB10,328,000; and
- (3) Amount due to the immediate holding company recognised at a fair value of approximately RMB40,330,000.

The fair values of these instruments recognised were within level 3 of fair value hierarchy.

In addition, scheme liabilities under option A included shares to be issued of 24.6 million shares, recognised at a fair value of approximately RMB22,364,000.

The following table summarises the valuation method adopted and the quantitative information about the significant unobservable inputs used in fair value measurements of the financial instruments recognised in the debt restructuring as at the date of the claim bar date of the debt restructuring.

Description	Fair value at the date of the modification	Valuation method	Significant unobservable inputs	Significant unobservable inputs
Scheme liabilities of option A	RMB37,241,000	Discounted cash flow model	Discount rate	14.20%
Scheme liabilities of option B	RMB10,328,000	Discounted cash flow model	Discount rate	14.28%
Amount due to the immediate holding company	RMB40,330,000	Discounted cash flow model	Discount rate	14.28%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of expected volatility, the lower fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

31. DEBT RESTRUCTURING *(Continued)*

The Directors considered that the fair values of the extension options exercisable by the Company in respect of certain interest payments of the scheme liabilities under option B and amount due to the immediate holding company under debt restructuring scheme were insignificant to the Group and had not been recognised.

As a result of the abovementioned, gain on debt restructuring of approximately RMB423,114,000 was recognised in the consolidated profit or loss. Shares to be issued of approximately RMB22,364,000 and deemed shareholder contribution of approximately RMB121,024,000 increases in other reserves attributable to owners of the Group were recognised in the consolidated statement of changes in equity for the year ended 31 December 2025.

Subsequent to the initial recognition, the carrying amounts of the debt component of the scheme liabilities under option A and scheme liabilities under option B are measured at amortised cost. As at 31 December 2025, the breakdown of outstanding scheme liabilities are shown as below:

Description	Carrying amount at amortised cost at 31 December 2025	Remaining maturity
Scheme liabilities of option A	RMB38,631,000	4.5 years
Scheme liabilities of option B	RMB10,716,000	7.5 years
Amount due to the immediate holding company	RMB41,676,000	7.5 years

32. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Sales of		
– properties (note a)	151,607	163,273
– petrochemical and other related products (note b)	119,184	131,372
	270,791	294,645

As at 1 January 2024, contract liabilities amounted to approximately RMB259,553,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

32. CONTRACT LIABILITIES *(Continued)*

Notes:

- (a) All contract liabilities arise from the Group's property development business are within the Group's normal operating cycle. During the year, the Group has recognised revenue of approximately RMB189,000 (31 December 2024: approximately RMB583,000) that was included in the contract liabilities balance at the beginning of the period.

The Group receives almost full amount of the contract value as advances from customers when they sign the sale and purchase agreement for sale of properties, while the remaining portion of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks for applying mortgage loans. The amount is generally made by the bank before the delivery of property to the buyer. The advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

During the years ended 31 December 2025 and 2024, due to the insignificant difference between the amount of promised consideration and the cash selling price of completed units by reference to the expected timing in delivery of completed units to customers, the amount of advance payments during the years is not adjusted for the effects of the time value of money taking into consideration the credit characteristic if the relevant group entities.

As at 31 December 2025, the construction projects located in the PRC were postponed and the expected timing of recognising contract liabilities as revenue extended to over two years.

As at 31 December 2025 and 2024, the expected timing of recognising contract liabilities as revenue are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	–	–
Over one year but within two years	–	–
Over two years but within five years	151,607	163,273
	<u>151,607</u>	<u>163,273</u>

- (b) When the Group receives a deposit before the customer draws out the petrochemical and other related products from the Group's warehouse or storage location, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 10% to 20% deposit in advance for each sale order. During the year, the Group has recognised revenue from sales of petrochemical and other related products amounting to approximately RMB131,372,000 (31 December 2024: approximately RMB84,615,000) that was included in the contract liabilities balance at the beginning of the period. All contract liabilities attributable to sales of petrochemical and other related products as at 31 December 2025 and 2024 are expected to be recognised as revenue within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

33. CORPORATE BONDS

The corporate bonds are interest bearing at the rate of 5.0% to 6.5% (31 December 2024: 5.0% to 6.5%) per annum, payable semi-annually or annually in arrear and repayable as follow:

	2025 RMB'000	2024 RMB'000
Within one year	—	97,753

The effective interest rate of the corporate bonds for the year ended 31 December 2025 is ranged from 7.6% to 10.9% (31 December 2024: 7.6% to 10.9%) per annum.

All corporate bonds are denominated in HK\$. As at 31 December 2024, corporate bonds amounted to approximately RMB91,013,000 are overdue.

On 26 June 2025, the Group announced the formal effectiveness of its debt restructuring scheme, pursuant to which all outstanding corporate bonds were brought within the scope of the restructuring. For details, please refer to note 31.

34. DEFERRED CONSIDERATION

On 16 July 2018, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor") to acquire the entire equity interest of Huajun Properties (Liaoning) Co., Ltd. ("Huajun Properties Liaoning") at a consideration of RMB135,000,000, comprised of cash consideration of RMB40,000,000 plus non-cash consideration represented by certain specified property units to be developed at an equivalent value of RMB95,000,000 at the date of contract. As the property units will be transferred to the vendor upon its completion, the outstanding consideration has been recognised as a deferred consideration. On 9 October 2020, a supplemental agreement was entered into between the Group and the Vendor due to change in development plan, pursuant to which the remaining non-cash consideration was reduced from RMB95,000,000 to RMB51,020,000 as at 31 December 2020.

For the year ended 31 December 2025, the remaining non-cash consideration was increased from approximately RMB64,326,000 to RMB67,215,000 (31 December 2024: decreased from approximately RMB67,255,000 to RMB64,326,000) based on the Directors' best estimation of the value of property units with reference to an independent professional valuation to settle the present obligation as at 31 December 2025. The Group recognised the decrease in fair value on deferred consideration in profit or loss.

The project was expected to complete in 2021 originally while the construction was under final acceptance stage up to the date of issuance of these consolidated financial statements. The management expected the residual unit can be handed over after the issuance of permit from local authority. Therefore, deferred consideration continues to be classified as a current liability as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

35. DEFERRED INCOME

The amount of government subsidy received by the Group towards the cost of construction of its automobile and solar photovoltaic production line has been treated as deferred income and will be recognised in profit or loss on the same basis as depreciation for the related plant and equipment upon the construction work has been completed.

As at 31 December 2025, government subsidy of approximately RMB130,696,000 (31 December 2024: approximately RMB130,696,000) is not amortised because the related plant and equipment are still under construction and balance of nil (31 December 2024: approximately RMB156,000) will be amortised based on the useful life of the related plant and equipment. For the year ended 31 December 2025, no amount (31 December 2024: approximately RMB455,000) was released to profit or loss.

36. DEFERRED TAXATION

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

	2025 RMB'000	2024 RMB'000
Deferred tax assets	(6,079)	(5,842)
Deferred tax liabilities	4,433	11,973
	<u>(1,646)</u>	<u>6,131</u>

The following are the major components of deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated (decelerated) tax depreciation RMB'000	Impairment and others RMB'000	Total RMB'000
At 1 January 2024	7,338	(1,322)	6,016
Charged to profit or loss (note 11)	(652)	767	115
At 31 December 2024 and 1 January 2025	<u>6,686</u>	<u>(555)</u>	<u>6,131</u>
Deconsolidation of a subsidiary	(7,208)	–	(7,208)
Charged to profit or loss (note 11)	<u>(523)</u>	<u>(46)</u>	<u>(569)</u>
At 31 December 2025	<u>(1,045)</u>	<u>(601)</u>	<u>(1,646)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

36. DEFERRED TAXATION *(Continued)*

At 31 December 2025, the Group does not recognise deferred tax assets in respect of tax losses of approximately RMB4,742,287,000 (31 December 2024: approximately RMB4,860,592,000) as it was uncertain that future taxable profits against which the tax losses could be utilised would be available in the relevant tax jurisdiction. Tax losses of approximately RMB528,159,000 (31 December 2024: approximately RMB513,465,000) do not expire under current tax legislation and approximately RMB4,214,128,000 (31 December 2024: RMB4,347,127,000) would expire within five years from the year of origination.

At 31 December 2025, the Group has deductible temporary differences of approximately RMB686,021,000 (31 December 2024: approximately RMB685,748,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 December 2025, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to approximately RMB125,499,000 (31 December 2024: approximately RMB111,817,000). Deferred tax liabilities of approximately RMB6,275,000 (31 December 2024: approximately RMB5,591,000) representing the tax payable upon the distribution of such retained profits have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

37. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The Group has the following balances with immediate holding company:

As at 31 December 2024, the carrying amount of approximately RMB197,934,000 represented amount due to the immediate holding company, HGL, with aggregate gross amount of approximately RMB223,547,000. As at 31 December 2024, the amounts due are unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2025, the carrying amount of approximately RMB55,778,000 was derecognised following the deconsolidation of Dalian Hydraulic. On 26 September 2025, the carrying amount of approximately RMB101,810,000 was discharged and the remaining balance of approximately RMB41,676,000, representing the scheme liabilities under Option B shall bear interest at the agreed rate and be repaid over the specified term, pursuant to the debt restructuring scheme. For details, please refer to note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

38. SHARE CAPITAL

	Number of shares		Share capital	
	2025 '000	2024 '000	2025 HK\$'000	2024 HK\$'000
Ordinary shares				
Authorised:				
Ordinary shares of HK\$1.00 each				
At the beginning and end of the reporting year	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
	'000	'000	RMB'000	RMB'000
Issued and fully paid:				
At the beginning of the reporting year and end of the reporting year	<u>61,543</u>	<u>61,543</u>	<u>55,983</u>	<u>55,983</u>

39. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (maximum of HK\$1,500 (equivalent to approximately RMB1,374 (31 December 2024: approximately RMB1,374)) per month for each employee) to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

The total expense of approximately RMB20,830,000 (31 December 2024: approximately RMB26,319,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

39. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS *(Continued)*

Long Service Payment Liabilities

Obligation to long service payments (“LSP”) under Hong Kong Employment Ordinance

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to employees in Hong Kong under certain circumstances, subject to a minimum of 5 years employment period, based on this formula: Last monthly wages (before termination of employment) \times 2/3 \times Years of service. Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group’s Mandatory Provident Fund contributions, plus/minus any positive/negative returns thereof (collectively, the “Eligible Offset Amount”), for the purpose of offsetting LSP payable to an employee (the “Offsetting Arrangement”).

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment Ordinance will come into effect prospectively from 1 May 2025 (the “Transition Date”). Under the Amendment Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

The Directors consider that the impact of the LSP obligation due to the Amendment Ordinance has no material effect on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes trade and other payables and other liabilities, lease liabilities, borrowings, amount due to immediate holding company, scheme liabilities under option A, scheme liabilities under option B, and equity attributable to shareholders of the Company, comprising of share capital and reserves.

Gearing ratio

The Directors actively and regularly reviews the capital structure of the Group. The Directors consider the cost of capital and the risk associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2025 RMB'000	2024 RMB'000
Total assets	3,065,617	4,834,511
Total liabilities	<u>(10,767,820)</u>	<u>(12,420,778)</u>
Net liabilities	<u>(7,702,203)</u>	<u>(7,586,267)</u>
Total liabilities to assets ratio	<u>351.2%</u>	<u>256.9%</u>

41. SHARE-BASED PAYMENTS TRANSACTIONS

The Company adopted a new share option scheme (the "New Share Option Scheme") on 25 October 2017 in place of the previous share option scheme which had been adopted on 28 September 2007 (the "Old Share Option Scheme"). The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-executive Directors including Independent Non-executive Directors or any employees (whether full-time or part-time) of each member of the Group (the "Participants") and for such other purpose as the Board may approve from time to time.

Upon expiry of the Old Share Option Scheme on 28 September 2017, no further options will be granted thereunder, but in all other respects, subject to the provisions under Chapter 17 of the Listing Rules, the Old Share Option Scheme shall remain in full force and effect, and the options granted thereunder may continue to be exercisable in accordance with the terms of issue thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

41. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

As at 31 December 2025, no share options remain outstanding under the Scheme. As at 31 December 2024, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 38,735 representing 0.06% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Option granted must be taken up within 28 days of the date of grant, upon payment of HK\$100 per option granted. There is no minimum period for which a share option must be held before the share option being exercised unless otherwise determined by the Board of Directors. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Company proposed to put forward a proposal to effect the consolidation of every one hundred issued and unissued existing ordinary share of par value of HK\$0.01 each in the share capital of the Company into one ordinary share of par value of HK\$1.00 each in the share capital of the Company (the "Share Consolidation") on 5 December 2017.

The Company completed the Share Consolidation on 5 March 2018. The disclosure of the number of options outstanding and exercise price of the options have been adjusted retrospectively at the date of grant.

Details of specific categories of options are as follows:

Grantee	Number of option at 31 December 2025	Date of grant	Vesting conditions	Exercisable period	Exercisable price
Directors	–	7 February 2017	Nil	7 February 2017 to 6 February 2027	HK\$78

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

41. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

The movement of share options to the executive directors and employees under the Scheme during the current and prior years are presented as follows:

For the year ended 31 December 2025

Grantee	Number of share options					
	Outstanding at 1 January 2025	Reclassification	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2025
Directors	38,735	-	-	-	(38,735)	-

For the year ended 31 December 2024

Grantee	Number of share options					
	Outstanding at 1 January 2024	Reclassification	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2024
Directors	77,470	-	-	-	(38,735)	38,735

The number and weighted average exercise prices of share options are as follows:

	2025		2024	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at the beginning of the reporting period	78	38,735	78	77,470
Lapsed during the year (note)	78	(38,735)	78	(38,735)
Outstanding at the end of the reporting period	N/A	-	78	38,735
Exercisable at the end of the reporting period	N/A	-	78	38,735

Note: The relevant grant date fair value of share options lapsed amounting to RMB6,000 (31 December 2024: RMB6,000) have been transferred from share-based payment reserve to accumulated losses upon the share options lapsed.

As at 31 December 2025, there are no outstanding share options. As at 31 December 2024, the share options outstanding had a weighted average exercise price of HK\$78 and a weighted average remaining contractual life of 2.1 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at FVTPL	201	518
Financial assets at amortised cost	897,086	919,645
	<u>897,287</u>	<u>920,163</u>
Financial liabilities		
Financial liabilities at amortised cost	10,072,771	11,713,761

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, pledged bank deposits, restricted bank balance, bank balances and cash, trade and other payables, amount due to immediate holding company, scheme liabilities under option A, scheme liabilities under option B, borrowings, lease liabilities. Details of these financial instruments are disclosed in respective notes in the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Group is exposed to foreign currency risk on financial assets at FVTPL, bank balances and cash, pledged bank deposits, trade and other receivables, prepayment and deposits and trade and other payables that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("USD" or "US\$"), Euros ("EUR"), British Pound ("GBP") and RMB. The functional currency of the group entities to which such risks relate is HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies					
	2025			2024		
	RMB RMB'000	EUR RMB'000	USD RMB'000	RMB RMB'000	EUR RMB'000	USD RMB'000
Financial assets at FVTPL	–	–	201	–	–	441
Bank balances and cash	9,127	4	4,325	19,865	3	6,511
Trade and other receivables	3,339	9	13,179	4,229	–	14,337
Prepayment and deposits	2	27	20,966	3	(29)	22,650
Trade and other payables	(90)	(50)	(3,421)	(1,791)	(17)	(5,534)

Sensitivity analysis

At 31 December 2025, it is estimated that a general appreciation/depreciation of 5% (31 December 2024: 5%) in the exchange rate of EUR and RMB against HK\$, assuming all other risk variables remained constant, would have decreased/increased the Group's loss for the year of approximately RMB12,378,000 for RMB and RMB10,000 for EUR (31 December 2024: approximately RMB22,306,000 for RMB and RMB43,000 for EUR). No sensitivity analysis is presented for foreign currency fluctuation between US\$ against HK\$ because Hong Kong dollars is pegged to US\$ and assumed that the rate would not be materially affected by any changes in movement in value of the HK\$ against other currencies.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to unlisted bond investments, pledged bank deposits, restricted bank balance, bank balances, scheme liabilities under option A, scheme liabilities under option B, amount due to immediate holding company, borrowings and lease liabilities. The Group currently does not have any instruments to hedge against the fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, accordingly, no sensitivity analysis is provided. The Group currently does not have an interest rate hedging policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with loan receivables were secured over certain collaterals of the borrowers.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by large customer. Limits and scoring attributed to large customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivable balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other receivables

The Group has applied ECL model on other receivables in which the impairment assessment for those receivables with gross carrying amount of approximately RMB791,312,000 (31 December 2024: RMB636,236,000) where there has not been a significant change in credit risk are based on 12-month ECL. For the remaining amount of approximately RMB1,593,075,000 (31 December 2024: RMB1,028,301,000), where there has been a significant change in credit risk as the balances have been long outstanding and that the Group is undergoing litigation process against the counterparties, they are assessed based on lifetime ECL.

In respect of other receivables balance, the amount of approximately RMB5,629,000 (31 December 2024: approximately RMB2,656,000) and RMB1,593,075,000 (31 December 2024: RMB898,758,000) has been provided for 12-month ECL and lifetime ECL respectively.

Pledged bank deposits, restricted bank balance, and bank balances

The Group performs impairment assessment under ECL model on pledged bank deposits, restricted bank balance, and bank balances based on 12-month ECL as there has not been significantly increase in credit risk.

The credit risks on pledged bank deposits, restricted bank balances and bank balances are limited because the counterparties are banks with high credit ratings assigned by international or national credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision (Continued)

Pledged bank deposits, restricted bank balance, and bank balances (Continued)

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for restricted bank balances, pledged bank deposits and bank balances.

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit rating; and
- Other receivables from several counterparties relating to deposits paid for acquisition of property project and prepaid procurement fee.

The Group's concentration of credit risk by geographical locations is in the PRC which accounted for 98% (31 December 2024: 98%) of the total trade receivables as at 31 December 2025.

Other than above, the Group does not have any other significant concentration of credit risk.

The table below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Doubtful	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts	
					2025 RMB'000	2024 RMB'000
Financial assets at amortised cost						
Trade receivables	27	N/A	(Note)	Lifetime ECL (provision matrix)	76,171	88,813
			Low risk	Lifetime ECL (individually assess, not credit-impaired)	3,245	34,808
			High risk	Lifetime ECL (individually assess, not credit-impaired)	4,211	33,416
			Doubtful	Lifetime ECL (credit impaired)	89,817	53,098
Other receivables and deposits	27	N/A	Low risk	12-month ECL	791,312	636,236
			High risk	Lifetime ECL (not credit-impaired)	340,000	340,000
			Doubtful	Lifetime ECL (credit impaired)	1,253,075	688,301
Restricted bank balances	28	AAA	N/A	12-month ECL	6,492	14,205
Pledged bank deposits	28	Baa2 – A1	N/A	12-month ECL	939	930
Bank balances and cash	28	Baa2 – A1	N/A	12-month ECL	34,803	36,292

Note:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

Note: *(Continued)*

As part of the Group's credit risk management, the Group uses debtors' ageing to measure ECL allowance for its customers which grouped by different segment in relation to its operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2025 within lifetime ECL (not credit impaired). Trade receivables with significant outstanding balances and with gross carrying amounts of RMB97,273,000 (31 December 2024: RMB121,322,000) as at 31 December 2025 were assessed individually. As part of these debtors, gross amounts of RMB3,245,000 (31 December 2024: RMB34,808,000) with significant balances are due from entities with long business history with the Group and without recent default history, they are all classified as low risk. For the remaining debtors with gross amounts of RMB4,211,000 (31 December 2024: RMB33,416,000) and RMB89,817,000 (31 December 2024: RMB53,098,000) are classified as either high risk or doubtful respectively as the credit quality has deteriorated and certain of them are credit-impaired.

Gross carrying amount of trade receivables assessed using provision matrix:

As at 31 December 2025

	Average loss rate	Gross trade receivables RMB'000	ECL RMB'000	Net trade receivables RMB'000
Current (not past due)	7%	71,907	4,972	66,935
1-30 days past due	7%	598	42	556
31-90 days past due	100%	177	177	–
91-180 days past due	N/A	–	–	–
Over 180 days	100%	3,489	3,489	–
		<u>76,171</u>	<u>8,680</u>	<u>67,491</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

Note: *(Continued)*

As at 31 December 2024

	Average loss rate	Gross trade receivables RMB'000	ECL RMB'000	Net trade receivables RMB'000
Current (not past due)	1%	80,383	1,125	79,258
1-30 days past due	1%	3,516	49	3,467
31-90 days past due	3%	1,307	39	1,268
91-180 days past due	34%	235	79	156
Over 180 days	100%	3,372	3,372	–
		<u>88,813</u>	<u>4,664</u>	<u>84,149</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific trade receivable is updated.

As at 31 December 2025, the Group provided approximately RMB8,680,000 (31 December 2024: approximately RMB4,664,000) of impairment loss for trade receivables, based on the provision matrix. Impairment loss of approximately RMB5,778,000 (31 December 2024: approximately RMB47,278,000) and RMB89,817,000 (31 December 2024: RMB53,098,000) were provided on individually assessed and credit-impaired receivables respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision (Continued)

The following table shows the movement in the allowance for impairment of trade receivables.

	Total RMB'000
As at 1 January 2024	105,007
Exchange adjustment	33
As at 31 December 2024 and 1 January 2025	105,040
Receivables written-off during the year as deconsolidation and liquidation of subsidiaries	(10,680)
Net impairment loss recognised	9,915
As at 31 December 2025	104,275

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

The following table shows the movement in lifetime ECL and 12-month ECL that have been recognised for other receivables and deposits.

	12-month ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2024	7,961	102,673	688,301	798,935
(Reversal of impairment loss) impairment losses recognised during the year	(5,306)	107,785	–	102,479
As at 31 December 2024 and 1 January 2025	2,655	210,458	688,301	901,414
Impairment losses recognised during the year	2,974	129,542	564,774	697,290
As at 31 December 2025	5,629	340,000	1,253,075	1,598,704

The Group considers the industrial average loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities at FVTPL and listed fund investments. The management manages this exposure by maintaining a portfolio of investments with different risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the prices of the respective equity instruments had been 1% (31 December 2024: 1%) higher/lower, the Group's loss after tax for the year ended 31 December 2025 would have decreased/increased by approximately RMB2,000 (31 December 2024: RMB4,000) as a result of the changes in fair value of financial assets at FVTPL.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk primarily by obtaining funding from immediate holding company and other measures as set out in note 2.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity risk tables (Continued)

At 31 December 2025

	Contractual undiscounted cash outflow				Total undiscounted cash flow RMB'000	Carrying amount as at 31.12.2025 RMB'000
	On demand or within 1 year RMB'000	1 – 2 year RMB'000	2 – 5 year RMB'000	More than 5 years RMB'000		
	Trade and other payables	6,499,031	–	–		
Scheme liabilities of option A	5,636	8,455	42,364	–	56,455	38,631
Scheme liabilities of option B	1,530	1,749	6,899	18,873	29,051	10,716
Amount due to immediate holding company	5,272	6,025	23,771	65,022	100,090	41,676
Borrowings	3,478,095	–	–	–	3,478,095	3,478,095
Lease liabilities	2,571	1,145	1,145	–	4,861	4,622
Total	9,992,135	17,374	74,179	83,895	10,167,583	10,072,771

At 31 December 2024

	Contractual undiscounted cash outflow			Total undiscounted cash flow RMB'000	Carrying amount as at 31.12.2024 RMB'000
	On demand or within 1 year RMB'000	1 – 2 year RMB'000			
	Trade and other payables	6,497,974	–		
Amount due to immediate holding company	223,547	–	–	223,547	197,934
Corporate bonds	97,787	–	–	97,787	97,753
Borrowings	4,916,585	–	–	4,916,585	4,916,585
Lease liabilities	2,252	1,425	–	3,677	3,515
Total	11,738,145	1,425	–	11,739,570	11,713,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

42. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

Details of the recurring fair value measurement of the relevant assets are set out in note 23 of these consolidated financial statements. During the current and prior years, there were no transfers between Level 1 and Level 2, nor transfers into Level 3.

The Directors consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of the reporting period, determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

43. DECONSOLIDATION OF A SUBSIDIARY AND LIQUIDATION OF A SUBSIDIARY

(a) Deconsolidation of a subsidiary

During the year ended 31 December 2025, the Company noted that a subsidiary, Dalian Hydraulic located in the PRC were financially insolvent, and due to the overdue borrowings (note 30(p)), the court's judgement severely impacted the operations of Dalian Hydraulic and leading to leaving of staff and local management. Majority of the assets of Dalian Hydraulic were subject to legal enforcement and no further resources are to be injected by the Company. The Directors considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of Dalian Hydraulic or to exercise the decision-making rights over Dalian Hydraulic. As such, the Directors, considered that it is inappropriate to consolidate the financial results of Dalian Hydraulic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

43. DECONSOLIDATION OF A SUBSIDIARY AND LIQUIDATION OF A SUBSIDIARY *(Continued)*

(a) Deconsolidation of a subsidiary *(Continued)*

Analysis of assets and liabilities over which control was lost (immediate before deconsolidation)

	Total RMB'000
Property, plant and equipment	5,354
Assets classified as held for sale	59,139
Inventories	29,447
Right-of-use assets	43,217
Trade and other receivables, deposits and prepayments	21,421
Bank balances and cash	821
Deferred tax liability	(7,208)
Borrowings	(109,420)
Amount due to immediate holding company	(55,778)
Trade and other payables, and other liabilities	(142,264)
	<u>(155,271)</u>

Analysis of contribution from deconsolidation of a subsidiary

	Total RMB'000
Cash consideration	–
Less: net liabilities deconsolidated of	155,271
Release of deemed shareholder contribution	<u>31,199</u>
Gain on deconsolidation of a subsidiary	<u>(186,470)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

43. DECONSOLIDATION OF A SUBSIDIARY AND LIQUIDATION OF A SUBSIDIARY *(Continued)*

(a) Deconsolidation of a subsidiary *(Continued)*

Net cash inflow on deconsolidation of a subsidiary:

	Total RMB'000
Cash consideration	–
Less: Bank balances and cash deconsolidated	(821)
	<u>(821)</u>

(b) Liquidation of a subsidiary

For the year ended 31 December 2025

During the year ended 31 December 2025, Jiangyin Propertie entered into bankruptcy liquidation proceedings pursuant to a court order. As a result, the Company effectively lost control over Jiangyin Properties. Accordingly, the results of operations and financial position of Jiangyin Properties have not been consolidated into the Company's consolidated financial statements, as Jiangyin Properties has been considered no longer a subsidiary since November 2025.

The carrying amounts of the assets and liabilities at its date of liquidation, were as follows:

	Total RMB'000
Property, plant and equipment	22
Properties held for sales	77,345
Trade and other receivables, deposits and prepayments	31,685
Bank balances and cash	113
Trade and other payables, and other liabilities	(576,875)
Contract liabilities	(15,954)
	<u>(483,664)</u>
Gain on liquidation of a subsidiary	483,664
Total consideration –satisfied by cash	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

43. DECONSOLIDATION OF A SUBSIDIARY AND LIQUIDATION OF A SUBSIDIARY *(Continued)*

(b) Liquidation of a subsidiary *(Continued)*

For the year ended 31 December 2025 (Continued)

Net cash outflow on liquidation of a subsidiary:

	Total RMB'000
Cash consideration	–
Less: bank balances and cash liquidated	(113)
	<u>(113)</u>

44. LEASE COMMITMENTS

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 20 years. Lease payments are usually increased every one to five to reflect market rentals. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	3,032	3,467
After 1 year but within 2 years	2,047	2,484
After 2 years but within 3 years	1,484	2,199
After 3 years but within 4 years	310	1,581
After 4 years but within 5 years	238	194
After 5 years	111	302
	<u>7,222</u>	<u>10,227</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

45. CAPITAL AND OTHER COMMITMENTS

	2025 RMB'000	2024 RMB'000
Capital expenditure in respect of the property development and investment projects contracted for but not provided in the consolidated financial statements	202,568	467,381
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	206,817	206,817
	<u>409,385</u>	<u>674,198</u>

46. PLEDGE OF ASSETS

At the end of the reporting period, carrying values of Group's assets pledged to secure bill payables, borrowings, and lease liabilities of the Group are as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	64,611	192,472
Right-of-use assets	127,188	197,213
Investment properties	218,204	1,256,702
Properties held for sale	230,536	487,963
Pledged bank deposits	939	930
Restricted bank balances	6,492	14,205

In addition to the above pledged assets, the Group also pledged certain subsidiaries' equity interest to secure borrowings of approximately RMB57,340,000 (31 December 2024: approximately RMB115,614,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

47. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The remuneration of Directors and other members of key management personnel during the year were as follows:

	2025 RMB'000	2024 RMB'000
Short-term benefits	3,698	3,763
Post-employment benefits	205	183
	<u>3,903</u>	<u>3,946</u>

(b) Transactions with immediate holding company

Provision of credit facility

As at 31 December 2024, the interest-free credit facility from HGL amounted to RMB7,000,000,000, of which approximately RMB6,776,453,000 were unused by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings RMB'000	Lease liabilities RMB'000	Amount due to immediate holding company RMB'000	Corporate bonds RMB'000	Bill payables RMB'000	Interests payable RMB'000	Scheme liabilities under option A RMB'000	Scheme liabilities under option B RMB'000	Total RMB'000
At 1 January 2025	4,916,585	3,515	197,934	97,753	-	2,655,059	-	-	7,870,846
Cash inflow (outflow):									
Proceeds from borrowings	5,000	-	-	-	-	-	-	-	5,000
Repayment of borrowings	(56,994)	-	-	-	-	-	-	-	(56,994)
Interest paid	-	-	-	-	(1,032)	(101)	-	-	(1,133)
Advance from immediate holding company	-	-	1,267	-	-	-	-	-	1,267
Repayment to immediate holding company	-	-	(1,272)	-	-	-	-	-	(1,272)
Repayment of lease liabilities	-	(2,252)	-	-	-	-	-	-	(2,252)
Non-cash transactions:									
New lease liabilities	-	3,191	-	-	-	-	-	-	3,191
Shares to be issued	(4,021)	-	-	(4,491)	-	(13,852)	-	-	(22,364)
Gain on debt restructuring	(72,232)	-	-	(78,397)	-	(272,485)	-	-	(423,114)
Scheme liabilities under option A	(6,695)	-	-	(7,479)	-	(23,066)	37,240	-	-
Scheme liabilities under option B	(1,012)	-	-	(1,130)	-	(8,186)	-	10,328	-
Deemed shareholder contribution	(3,454)	-	(101,810)	(3,859)	-	(11,901)	-	-	(121,024)
Repayment by disposal of properties	(1,188,599)	-	-	-	-	(259,822)	-	-	(1,448,421)
Net foreign exchange loss	(1,063)	-	(11)	(2,397)	-	(10,345)	(10)	(3)	(13,829)
Finance costs	-	168	1,346	-	1,032	685,922	1,401	391	690,260
Deconsolidation and liquidation of subsidiaries	(109,420)	-	(55,778)	-	-	(56,789)	-	-	(221,987)
At 31 December 2025	<u>3,478,095</u>	<u>4,622</u>	<u>41,676</u>	<u>-</u>	<u>-</u>	<u>2,684,434</u>	<u>38,631</u>	<u>10,716</u>	<u>6,258,174</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Borrowings RMB'000	Lease liabilities RMB'000	Amount due to immediate holding company RMB'000	Corporate bonds RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2024	4,976,651	8,135	197,766	90,285	2,157,292	7,430,129
Cash inflow (outflow):						
Proceeds from borrowings	5,000	-	-	-	-	5,000
Repayment of borrowings	(67,084)	-	-	-	-	(67,084)
Interest paid	-	(192)	-	-	(54,500)	(54,692)
Advance from immediate holding company	-	-	582	-	-	582
Repayment to immediate holding company	-	-	(414)	-	-	(414)
Repayment of lease liabilities	-	(3,277)	-	-	-	(3,277)
Non-cash transactions:						
New lease liabilities	-	2,336	-	-	-	2,336
Termination of lease	-	(3,679)	-	-	-	(3,679)
Net foreign exchange loss	2,018	-	-	1,736	1,130	4,884
Finance costs	-	192	-	5,732	551,137	557,061
At 31 December 2024	<u>4,916,585</u>	<u>3,515</u>	<u>197,934</u>	<u>97,753</u>	<u>2,655,059</u>	<u>7,870,846</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2025 and 2024 are disclosed as follows:

Name of subsidiary	Place of incorporation/ establishment	Principal place of business	Issued and fully paid share/ registered capital	Effective equity interest held by the Company		Principal activities
				2025	2024	
Baohua Real Estate Management (Yingkou) Co., Ltd. (note b)	PRC	PRC	RMB100,000,000	100%	100%	Property investment and investment holding
Baohua Shanghai (note b)	PRC	PRC	RMB200,000,000	100%	100%	Property development and investment
Baohua Real Estate Dalian (note b)	PRC	PRC	RMB21,000,000	100%	100%	Property development
Baohua Properties (Yingkou) Real Estate Co., Ltd. (note b)	PRC	PRC	RMB20,000,000	100%	100%	Property development
Chenzhou Sonic Manufacturing Company Limited (note a)	PRC	PRC	US\$1,000,000	100%	100%	Provision of subcontracting services to a fellow subsidiary for paper and packaging products
Huajun Changzhou (note b)	PRC	PRC	RMB708,830,100	100%	100%	Property development and investment
Huajun Properties (Dalian) (note b)	PRC	PRC	RMB600,000,000	100%	100%	Property development and investment
Dalian Taiyuan Properties Development Co., Ltd. (note b)	PRC	PRC	RMB186,300,000	100%	100%	Property development and investment
Dongguan New Island Printing Co., Ltd. (note a)	PRC	PRC	HK\$162,000,000	100%	100%	Production and distribution of paper products
Huajun Energy Group Limited	Hong Kong	Hong Kong	HK\$251,900,000	100%	100%	Investment holding, trading and logistics
HJ Energy (note a)	PRC	PRC	RMB1,000,000,000	100%	100%	Investment holding, trading and logistics
Huajun Management Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	Provision of management services to group companies
HPT Jiangsu (note c)	PRC	PRC	RMB2,600,000,000	100%	100%	Production and sale of photovoltaics products, monocrystalline silicon, solar stent and related products and provision of processing services
Liaoning Baohua Properties Development Co., Ltd. (note b)	PRC	PRC	RMB42,000,000	100%	100%	Property development
Huajun Logistics Group Co, Limited (note a)	PRC	PRC	RMB1,000,000,000	100%	100%	Provision of cargo freight services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Principal place of business	Issued and fully paid share/ registered capital	Effective equity interest held by the Company		Principal activities
				2025	2024	
New Island Management Services Limited	Hong Kong	Hong Kong	US\$1,000,000	100%	100%	Investment holding
New Island Printing Group Company Limited	Hong Kong	Hong Kong	HK\$200 ordinary shares and HK\$1,000,000 non-voting deferred shares	100%	100%	Investment holding and distribution of paper products
NIP (Liaoning) (note a)	PRC	PRC	RMB30,000,000	100%	100%	Production and distribution of paper products and surgical mask
New Island (Shanghai) Paper Products Co., Ltd (note a)	PRC	PRC	US\$2,500,000	100%	100%	Production and distribution of paper products
NITNS LLC	The US	The US	100 ordinary shares of US\$1 each	51%	51%	Provision of marketing services
Huajun Energy (Shanghai) Co., Ltd. (note b)	PRC	PRC	RMB100,000,000	100%	100%	Technology development and sales of chemical products
Huajun Rubber Technology (Shanghai) Co., Ltd (note b)	PRC	PRC	RMB30,000,000	60%	60%	Trading of rubber products
Shanghai New Island Packaging Printing Co., Ltd (note a)	PRC	PRC	US\$5,700,000	100%	100%	Production and distribution of paper products
Huajun Leasing (note c)	PRC	PRC	US\$50,000,000	70%	70%	Provision of financial leasing and associated services
Huajun Properties Liaoning (note b)	PRC	PRC	RMB50,000,000	100%	100%	Property development
Huajun Properties (Yingkou) Co., Ltd. (note b)	PRC	PRC	RMB50,000,000	100%	100%	Property development
Yingkou Yi Hua Green Packaging Printing Company Limited (note b)	PRC	PRC	RMB10,000,000	100%	100%	Production of paper products

Note: For those subsidiaries established in the PRC, their classification of establishment is as follows:

- (a) wholly foreign owned enterprise
- (b) domestic invested company
- (c) sino-foreign enterprise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

The table below shows details of Huajun Leasing and Jiangyin Properties, the non-wholly owned subsidiaries of the Group with material non-controlling interests. During the year ended 31 December 2025, Jiangyin Properties entered into bankruptcy liquidation proceedings pursuant to a court order. As a result, the Company effectively lost control over Jiangyin Properties. Accordingly, the results of operations and financial position of Jiangyin Properties have not been consolidated into the Company's consolidated financial statements, as Jiangyin Properties has been considered no longer a subsidiary since November 2025, no information is presented for Jiangyin Properties as at 31 December 2025.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Gain (loss) allocated to non-controlling interests RMB'000	Balance of non-controlling interests RMB'000
31 December 2025				
Huajun Leasing	PRC	30%	(787)	102,621
31 December 2024				
Huajun Leasing	PRC	30%	(777)	103,408
Jiangyin Properties	PRC	30%	(452)	(85,065)

Summarised consolidated financial information prepared in accordance with HKFRS Accounting Standards before intragroup eliminations in respect of the subsidiaries that have material non-controlling interests are set out below.

	Huajun Leasing	
	2025 RMB'000	2024 RMB'000
Non-current assets	19,500	19,500
Current assets	371,852	386,513
Current liabilities	(41,080)	(53,117)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	Huajun Leasing	
	2025 RMB'000	2024 RMB'000
Loss and total comprehensive expense	(2,624)	(2,590)
Cash flows used in operating activities	(609)	(674)
Cash flows from financing activities	606	644

	Jiangyin Properties	
	2025 RMB'000	2024 RMB'000
Non-current assets	–	21
Current assets	–	74,869
Current liabilities	–	(591,874)

	Jiangyin Properties	
	2025 RMB'000	2024 RMB'000
Revenue	–	779
Loss and total comprehensive expense	–	(1,508)
Cash flows from operating activities	–	86
Cash flows used in financing activities	–	(64)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current assets		
Interests in subsidiaries (Note)	274,736	429,997
Current assets		
Amounts due from subsidiaries (Note)	222,957	568,536
Deposits and prepayments	117,212	111,722
Bank balances and cash	78	632
	340,247	680,890
Current liabilities		
Other payables	13,751	8,754
Scheme liabilities under option A	5,636	–
Amounts due to subsidiaries	8,395,568	8,463,052
Amount due to immediate holding company	–	197,934
Borrowings	57,346	58,407
Corporate bonds	–	97,753
	8,472,301	8,825,900
Net current liabilities	(8,132,054)	(8,145,010)
Total assets less current liabilities	(7,857,318)	(7,715,013)
Non-current liabilities		
Scheme liabilities under option A	32,995	–
Scheme liabilities under option B	10,716	–
Amount due to immediate holding company	41,676	–
	85,387	–
Net liabilities	(7,942,705)	(7,715,013)
Capital and reserves		
Share capital	55,983	55,983
Reserves	(7,998,688)	(7,770,996)
Total deficiency	(7,942,705)	(7,715,013)

Note: As at 31 December 2025, ECL for interest in subsidiaries, amounts due from subsidiaries and bank balances are assessed and impairment loss allowance of approximately RMB11,475,837,000 (31 December 2024: approximately RMB11,065,465,000) is made on the amounts due from subsidiaries and interest in subsidiaries based on the Company's internal and/or external credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Movement in reserves

	Share premium RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Deemed contribution reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	2,557,466	69,589	75,548	29,936	575,672	-	(9,735,806)	(6,427,595)
Loss for the year	-	-	-	-	-	-	(1,308,978)	(1,308,978)
Other comprehensive income	-	-	(34,423)	-	-	-	-	(34,423)
Total comprehensive income (expense) for the year	-	-	(34,423)	-	-	-	(1,308,978)	(1,343,401)
Lapse of share options (note 41)	-	-	-	(6)	-	-	6	-
At 31 December 2024 and 1 January 2025	2,557,466	69,589	41,125	29,930	575,672	-	(11,044,778)	(7,770,996)
Loss for the year	-	-	-	-	-	-	(364,833)	(364,833)
Other comprehensive expense for the year	-	-	(6,247)	-	-	-	-	(6,247)
Total comprehensive expense for the year	-	-	(6,247)	-	-	-	(364,833)	(371,080)
Shares to be issue under debt restructuring (note 31)	-	-	-	-	-	22,364	-	22,364
Deemed contribution from debt restructuring (note 31)	-	-	-	-	121,024	-	-	121,024
Lapse of share options (note 41)	-	-	-	(29,930)	-	-	29,930	-
At 31 December 2025	<u>2,557,466</u>	<u>69,589</u>	<u>34,878</u>	<u>-</u>	<u>696,696</u>	<u>22,364</u>	<u>(11,379,681)</u>	<u>(7,998,688)</u>

51. CONTINGENT LIABILITIES

As at 31 December 2025, the Group has several outstanding legal proceedings with construction contractors, customers, suppliers and joint venture partner that against the Group in the PRC in relation to the Group's property development and investment, printing and solar photovoltaic segment. The Directors consider that all legal proceedings would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2025

52. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2025, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB3,191,000 and RMB3,191,000 (31 December 2024: approximately RMB2,336,000 and RMB2,336,000) were recognised at the commencement of the leases.

53. EVENTS AFTER THE REPORTING PERIOD

On 20 January 2026, Huajun Property Management (Dalian) Co., Ltd (“Dalian Management”), a subsidiary of the Group, entered into an agreement with an independent third party, Dalian Feicheng Property Service Co., Ltd. (“Dalian Feicheng”). Pursuant to the agreement, Dalian Feicheng provided a loan of RMB1,500,000 to Dalian Management to exchange the management and operational rights for the Baohua Wangyuan for a period of ten years. The agreement stipulates that if Dalian Management is unable to repay loan of RMB1,500,000 upon maturity, a debt-to-equity conversion shall be initiated, whereby the entire equity interest in Dalian Management will be transferred to Dalian Feicheng.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	3,512,438	1,641,178	2,844,811	1,154,944	1,363,725
Loss before tax	(1,829,267)	(2,805,223)	(2,698,806)	(1,263,326)	(207,860)
Income tax credit (expense)	45,082	(23,168)	27,626	(1,039)	(26,183)
Loss for the year from continuing operation	<u>(1,784,185)</u>	<u>(2,828,391)</u>	<u>(2,671,180)</u>	<u>(1,264,365)</u>	<u>(234,043)</u>
Attributable to:					
Shareholders of the Company	(1,778,008)	(2,822,338)	(2,679,371)	(1,263,380)	(234,098)
Non-controlling interests	<u>(6,177)</u>	<u>(6,053)</u>	<u>8,191</u>	<u>(985)</u>	<u>55</u>
	<u>(1,784,185)</u>	<u>(2,828,391)</u>	<u>(2,671,180)</u>	<u>(1,264,365)</u>	<u>(234,043)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Total assets	15,735,750	11,105,059	5,637,956	4,834,511	3,065,617
Total liabilities	<u>(16,580,618)</u>	<u>(14,772,157)</u>	<u>(11,952,189)</u>	<u>(12,420,778)</u>	<u>(10,767,820)</u>
	<u>(844,868)</u>	<u>(3,667,098)</u>	<u>(6,314,233)</u>	<u>(7,586,267)</u>	<u>(7,702,203)</u>
Share capital	55,983	55,983	55,983	55,983	55,983
Reserves	<u>(906,601)</u>	<u>(3,751,466)</u>	<u>(6,406,792)</u>	<u>(7,677,840)</u>	<u>(7,869,692)</u>
Deficiency attributable to shareholders of the Company	(850,618)	(3,695,483)	(6,350,809)	(7,621,857)	(7,813,709)
Non-controlling interests	<u>5,750</u>	<u>28,385</u>	<u>36,576</u>	<u>35,590</u>	<u>111,506</u>
Total deficiency	<u>(844,868)</u>	<u>(3,667,098)</u>	<u>(6,314,233)</u>	<u>(7,586,267)</u>	<u>(7,702,203)</u>

SUMMARY OF PROPERTIES

Particulars of the Group's major investment properties, properties held for sale and properties under development as at 31 December 2025 are as follows:

INVESTMENT PROPERTIES

Location	Purpose	Approximate gross floor areas (sq. meter)	Group's interest	Land lease duration
1. Commercial Units at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC	Commercial	2,072	100%	Medium
2. Medical Building, the middle of Kunlun Street, Bayuquan District, Liaoning Province, the PRC	Commercial	5,686	100%	Medium
3. Annexe to Shun Hing Square, Shennan East Road, Luohu District, Shenzhen City, the PRC	Residential	442	100%	Medium
4. Two parcels of land located at west of Houyan Tollbooth of Harbin – Dalian Highway and east of the intersection of Yingjin Road and Guibai Road, Ganjingzi District, Dalian City, Liaoning Province, The PRC	Warehouse and commercial	80,655	100%	Medium
5. A factory complex at No. 6 Konggang New District, Guozhuang Town, Jurong City, Jiangsu Province, the PRC	Industrial	77,290	100%	Medium

PROPERTIES HELD FOR SALE

Location	Purpose	Approximate gross floor areas (sq. meter)	Group's interest	Land lease duration
1. Wenquan Village Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province, the PRC	Residential	20,058	100%	Long
2. The south of Moon Lake Park and the west of Liaodongwan Avenue, Bayuquan District, Yingkou City, Liaoning Province, the PRC	Residential/ Commercial	119,644	100%	Medium – Commercial Long – Residential

SUMMARY OF PROPERTIES *(continued)*

PROPERTIES UNDER DEVELOPMENT FOR SALE

Location	Purpose	Site areas (sq. meter)	Approximate gross floor areas (sq. meter)	Stage of completion	Expected completion	Group's Interest	Land lease duration
The east of Pingan Avenue and south of Haiyun Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC 115007	Residential/ Commercial	18,795	119,798	Construction suspended	-	100%	Medium – Commercial Long – Residential