Alpha Professional Holdings Limited
阿爾法企業控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 948)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO AUDITED RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2025

References are made to (i) the announcement of Alpha Professional Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 June 2025 (the "**Announcement**") in relation to the audited annual results for the year ended 31 March 2025 ("**FY2025**"); and (ii) the annual report 2025 of the Company published on 29 July 2025 (the "**Annual Report**"). Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcement and the Annual Report.

The Company recognised (i) a loss allowance for expected credit losses (the "**ECLs**") on the trade receivables amounting to HK$53.2 million as at 31 March 2025 and resulted net impairment losses of trade receivables of HK$22.5 million for FY2025; and (ii) impairment losses on goodwill amounting to approximately HK$3.0 million for FY2025, and would like to provide additional information as follows.

IMPAIRMENT ON TRADE RECEIVABLES

Accounting Policy

According to the Group's accounting policy, loss allowances for trade receivables are measured at an amount equal to lifetime ECLs under IFRS 9 *Financial Instruments*. In measuring ECLs, the Group takes into account the probability weighted estimate of credit losses, the time value of money, and such reasonable information supported by evidence that is available without undue cost or effort, which includes information about past events, current conditions and forecasts of future economic conditions.

At each reporting date of the financial period/year-end, ECLs are re-measured to reflect the change(s) in the credit risk of the trade receivables compared to the initial recognition.

For FY2025, the Group engaged Norton Appraisals Holdings Limited ("**Norton**"), an independent valuation firm in Hong Kong, to assist the Group to determine the ECLs for the trade receivables. Norton's assessment followed the Group's accounting policy, and considered various factors affecting the credit risk, including but not limited to the further aging of trade receivables, the market conditions and the historical recovery rate of the trade receivables.

Reason of Impairment

As at 31 March 2025, trade receivables due from four customers (the "**Long Outstanding Customer(s)**") were overdue for over 365 days (the "**Long Outstanding Trade Receivables**"). Despite the continuous recovery effort taken by the Group, including: (i) monitoring settlement and issuing invoice settlement reminders regularly; (ii) negotiating repayment in other means; and (iii) securing additional guarantee, no further settlements were received between 1 October 2024 and 30 June 2025, being the date of the Annual Report 2025.

Given further aging of receivables, lack of new settlements, and recent adverse industry/economic developments, the management of the Group assessed the Long Outstanding Trade Receivables were credit-impaired under IFRS 9 and recorded additional impairment losses based on the ECL assessment.

Valuation Methodology and Key Assumptions

Norton adopted the expected loss method based on the simplified approach for the trade receivables as outlined by IFRS 9 and there is no subsequent change in the valuation method used. A credit rating system in line with the standards set out by Moody's is constructed to determine the credit ratings and corresponding probability of default and loss given default of debtors. Multiple scenarios and possible outcomes and their probability of occurrence are considered, namely bull case, base case and bear case. The management of the Group estimates the probabilities of scenarios mainly with reference to recent development of the economy and industry with 70%, 15% and 15% assigned for base case, bull case and bear case respectively for FY2025.

Key assumptions adopted by Norton are as follows:

(i) for the debtors who settle the trade receivables on schedule or within 30 days past due and do not indicate there is significant increase in credit risk, probability of default is 0.02%~12.4%, and recovery ratio is 34.1%~41.7%; and

(ii) for the debtors who have delayed payment or 90 days past due without supportable evidence for repayment and there is significant increase in credit risk, probability of default is 100% and recovery ratio is 0% as the Group held no collateral for the trade receivables and the amount that can be recovered would be minimal.

Recovery Actions

The management of the Group remains focused on recovering Long Outstanding Trade Receivables and has maintained regular contact and negotiations with relevant customers to reach settlement arrangements. During FY2025, the Group recovered approximately AUD12.1 million (equivalent to approximately HK$58.7 million) from the Long Outstanding Customers.

In late October 2025 and mid December 2025, the Group issued demand letters and pre-action letter to each of the Long Outstanding Customers, respectively. In the event that no positive responses are received, the Group will conduct assets search of the intended defendant(s) to evaluate potential recovery and efficiency of foreign enforcement actions, and after obtaining external legal advice on potential legal actions, commence legal claim(s) in the appropriate jurisdiction and/or forum in mid-January 2026 onwards.

IMPAIRMENT ON GOODWILL

Background

On 27 June 2024, Willis Trading, a subsidiary of the Company entered into a debt settlement agreement with Prime Global Trading Pty Ltd ("**Prime Global**"), under which 70% of the economic benefit of Shenyang Jinyi and the rights of a shareholder's loan were transferred to the Group for discharge of Prime Global's outstanding trade receivables of AUD5,057,000 (equivalent to approximately HK$26 million) (the "**Acquisition**"). The structure of the Acquisition was used to recover long-outstanding trade receivables arising from prior supply of milk powder and baby foods to Prime Global, and the consideration was determined with reference to an independent valuation and the principal of the shareholder's loan.

Shenyang Jinyi is engaged in e-commerce business in the PRC, and it has self-developed brand direct supply distribution platforms in the PRC, inviting different global brands to set up flagship stores on the platforms and offering store management and platform operation services.

At the time of the Acquisition, the Company also expected the Acquisition would create synergies, particularly by integrating its milk powder and baby food products into Shenyang Jinyi's established e-commerce platforms. This integration was expected to increase retail customer reach and drive deeper market penetration in the PRC.

Due diligence and valuation prior to the Acquisition

The Group conducted due diligence on Shenyang Jinyi covering valuation and operating structure and growth projections prior to the Acquisition.

Shenyang Jinyi provided the Group with a comprehensive set of documents, including its business model and plan, audited financial statements, ICP and ICB licenses, list of trademark and copyright for the platform, profit forecasts, and lists of brands, suppliers, and active users. The Company's management made multiple on-site visits to Shenyang Jinyi's operations. They reviewed the information provided, concluding that it was reasonable and could be relied upon.

As part of its due diligence process, the Group also engaged an independent valuer to ascertain the commercial value of Shenyang Jinyi. A valuation report was prepared, with particular emphasis on the licenses held and the financial forecasts supporting the anticipated growth.

Reasons for the impairment

According to the Group's accounting policy, goodwill is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. A cash generating unit ("**CGU**") to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For the purposes of impairment testing, the carrying amount of Shenyang Jinyi goodwill of HK$11.4 million has been allocated to the CGU of the Milk Products Business (the "**Milk Products Business CGU**").

In FY2025, Shenyang Jinyi's operating results underperformed, the revenue growth did not reach its expected result due to weaker than expected consumer demand as a result of the economic downturn in the PRC, while operating expenses were higher than originally anticipated due to additional operational requirements, including higher staff costs determined and adjusted upwards based on the actual personnel requirements for the business units in sales, information technology, administration and finance to support the operations, resulting a significant operating loss for the year.

In accordance with IAS 36, management updated the future cash flow projections of the Milk Products Business CGU at the reporting date to reflect revised value-in-use assessment. Based on the result of the latest assessment, the value in use dropped and an impairment loss of approximately HK$3.0 million is recognised for the Milk Products Business CGU.

Valuation basis

Norton preformed the valuation by using income approach as the valuation method based on IAS 36 Impairment of Assets.

The following value of inputs and assumptions are used in the valuation:

(i) a revenue growth in the range of 28% to 98% during the period of the forecast which was determined based on expectation of the market development and the business development of the CGU. With the e-platform-related business of Shenyang Jinyi still at the early stage of business development, it is expected that the CGU can have a rapid growth in the coming five years;

(ii) budgeted gross margin in the range of 8% to 10% is decided based on past performance and its expectation of market development;

(iii) an increase in budgeted cost of goods sold accordingly to align with the expected revenue growth and budgeted gross margin;

(iv) an increase in the budgeted other operating expenses (mainly including salary, selling expenses, office rental and other administrative expenses) ranging from 7% to 33% during the period of the forecast based on the prevailing actual cost level of the CGU;

(v) a constant capital expenditure of RMB2 million throughout the forecast period as the CGU is not a capital-intensive company;

(vi) working capital investment is assumed to be approximately 14% of the revenue and other income and gradually dropped in subsequent years to about 3% to reflect the management's expectation that the operation efficiency of the CGU can be achieved; and

(vii) a pre-tax discount rate of 29% reflecting the current market assessment of the time value of money and specific risks relating to the relevant CGU. In determining the discount rate, the major assumption includes the inclusion of other risk premium of 7% in calculation of cost of equity which is added to reflect the uncertainties of cash flow forecasts and higher operation risks relative to the comparable companies.

Key changes from the Acquisition

The following are the changes in the adopted values of key inputs or assumptions in the forecasts in the valuation in FY2025 from those previously adopted at the time of the Acquisition.

(a) Operative Period Assumption

At the time of the Acquisition, Shenyang Jinyi was valued assuming an indefinite period of operation, with perpetual cash flow projections. This assumption was based on profit forecasts and the expected synergies from Shenyang Jinyi's direct supply e-commerce platform, including the sale of milk powder and food products on the platform. Shenyang Jinyi also holds the requisite permit and approval required to carry on e-commerce business, including but not limited to ICP and ICB licenses, supporting its capacity to undertake the underlying business.

Upon discussion with the auditors of the Company and taking into account the market practice on similar intangible assets, the expectation of the market and regulatory development of the e-commerce industry and the licensing requirements in the PRC, the management of the Group took a more conservative assumption and estimate a finite useful life of 12 years from the date of the Acquisition in these intangible assets, rather than infinity.

This revision reflects the view that ICP and ICB licenses, while essential to the e-commerce platform, are subject to regulatory, technological, and business changes, and thus should not be assumed to support perpetual cash flows.

For financial reporting purposes, the goodwill and intangible assets acquired through the business combination were allocated to the Group's Milk Products Business CGU, rather than being attributed solely to Shenyang Jinyi. As a result, the adoption of a finite useful life for these intangible assets aligns the forecasting approach with market practice, regulatory expectations, and applicable accounting standards.

(b) Revenue projections

At the time of the Acquisition, Shenyang Jinyi forecasted the revenue from 2026 to 2030 based on an initial business plan focusing on both business-to-business wholesales ("**B2B**") and business-to-customers retailing via the e-commerce channel ("**B2C**") e-commerce growth.

For impairment testing in FY2025, the Group's post-acquisition forecast for the Milk Products Business CGU encompasses both B2B and B2C revenues, with amendments due to the weaker than expected consumer demand as a result of the economic downturn in the PRC leading to the Milk Products Business CGU's operating results underperformed after the Acquisition. The management of the Group predicted a lower sales figure for 2026 to 2028 as compared to the time of the Acquisition, reflecting a more conservative outlook as compared to Shenyang Jinyi's original forecast at the time of the Acquisition. For 2029 and 2030, management expects an improvement in revenue versus original projections, anticipating economic recovery and synergy from deeper integration of B2B and e-commerce sales within the Group.

The reason for the change was that short-term revisions reflect more conservative expectations amid challenging economic conditions, while the long-term outlook has been recalibrated upwards, given anticipated market recovery and operational synergies, resulting in a higher overall revenue projection for the CGU compared to the forecasts for Shenyang Jinyi as a standalone business.

(c) Gross profit margins

At the time of the Acquisition, the projected gross profit margin for Shenyang Jinyi from 2026 to 2030 was lower than the current assessment by Norton for FY2025. This reflects the higher gross profit margin the Group achieved for FY2025 for the existing products and the brands. The revision is based on actual operating results, demonstrating improved cost control and pricing in existing products.

(d) Weighted average cost of capital ("WACC")

The WACC adopted for the Milk Products Business CGU post-acquisition was slightly higher than the WACC of Shenyang Jinyi at the time of the Acquisition. This is a modest increase and considered immaterial to the overall valuation outcome.

The change reflects typical post-acquisition capital structure adjustments and market developments.

EVENTS AFTER THE REPORTING PERIOD – DISPOSAL OF SHENYANG JINYI

Subsequent to the end of FY2025 and on 30 September 2025, Jineng Life Technology (Hangzhou) Co., Ltd.*（機能生命科技（杭州）有限公司）formerly known as Hangzhou Mingandi E-commerce Co., Ltd.*（杭州明安迪電子商務有限公司）("**WFOE**") as vendor entered into the a sale and purchase agreement with Stlet International Group Limited ("**Stlet**") as purchaser, pursuant to which, the WFOE shall sell and Stlet shall purchase the 70% of the economic benefit of Shenyang Jinyi and the rights of the shareholder's loan owed by Shenyang Jinyi to the WFOE at the aggregate consideration of HK$27,500,000. The disposal was completed on 23 October 2025.

On behalf of the Board
Alpha Professional Holdings Limited
Zhao Lei
Executive Director and Chief Executive Officer

Hong Kong, 31 December 2025

As at the date of this announcement, the executive Director is Mr. Zhao Lei, and the independent non-executive Directors are Mr. Li Chak Hung, Mr. Tu Chunan, Mr. Chen Jianguo and Ms. Huang Xin.

* *For identification purpose only*