Honworld Group Limited

老恒和釀造有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2226)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2025 amounted to RMB271.7 million, representing a decrease of 1.2% from RMB275.1 million recorded in 2024.
- Gross profit for the year ended 31 December 2025 amounted to RMB74.1 million, representing an increase of 1.4% from RMB73.1 million recorded in 2024.
- Loss attributable to ordinary equity holders of the Company for the year ended 31 December 2025 amounted to RMB513.9 million, representing a decrease of 0.5% from RMB516.6 million recorded in 2024.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2025.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Honworld Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**" or "**we**") for the year ended 31 December 2025, together with the comparative figures for the year ended 31 December 2024.

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	*4.1*	**271,702**	275,077
Cost of sales		**(197,616)**	(202,011)
Gross profit		**74,086**	73,066
Other income and gains	*4.2*	**2,730**	29,833
Selling and distribution expenses		**(82,190)**	(86,945)
Administrative expenses		**(28,385)**	(40,974)
Provision for impairment losses, net		**(6,261)**	(6,435)
Other expenses	*5*	**(274,152)**	(285,258)
Finance costs	*7*	**(199,767)**	(199,851)
Loss before income tax	*6*	**(513,939)**	(516,564)
Income tax expense	*8*	**–**	–
Loss for the year		**(513,939)**	(516,564)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted *(RMB)*	*10*	**(0.89)**	(0.89)
Loss for the year		**(513,939)**	(516,564)
Items that will be reclassified subsequently to profit or loss			
Exchange gain/(loss) on translation of financial statements of foreign operations		**1,191**	(1,438)
Total comprehensive expense for the year		**(512,748)**	(518,002)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**234,822**	249,592
Right-of-use assets		**44,361**	45,661
Other intangible assets		**180**	447
Prepayments, other receivables and other assets	*13*	**2,040**	2,455
		281,403	298,155
Current assets			
Inventories	*11*	**568,643**	586,086
Trade receivables	*12*	**28,670**	25,220
Prepayments, other receivables and other assets	*13*	**120,759**	134,348
Amounts due from related companies		**1,696**	21
Pledged deposits		**31**	191
Cash and cash equivalents		**22,864**	6,346
		742,663	752,212
Current liabilities			
Trade payables	*14*	**62,414**	58,038
Other payables and accruals	*15*	**436,978**	452,136
Amounts due to related companies		**691**	1,107
Amount due to immediate holding company		**452**	463
Interest-bearing bank and other borrowings	*16*	**3,792,160**	3,309,947
Tax payable		**72,408**	72,408
		4,365,103	3,894,099
Net current liabilities		**(3,622,440)**	(3,141,887)
Total assets less current liabilities		**(3,341,037)**	(2,843,732)

	Notes	**2025** RMB'000	2024 RMB'000
Non-current liabilities			
Interest-bearing bank and other borrowings	*16*	**980**	1,393
Deferred government grants	*17*	**15,940**	–
Provision for long service payment		**6,335**	6,419
		23,255	7,812
Net liabilities		**(3,364,292)**	(2,851,544)
EQUITY			
Share capital	*18*	**1,767**	1,767
Reserves		**(3,366,059)**	(2,853,311)
Total deficit		**(3,364,292)**	(2,851,544)

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Honworld Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 December 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Room A5, 7/F, China United Plaza, 1008 Tai Nan West Street, Kowloon, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 January 2014 (the "**Listing**").

The Company is an investment holding company. During the year, the Company and its subsidiaries (the "**Group**") were principally engaged in the manufacture and sale of cooking wine as well as condiment products under the brand name of "Lao Heng He" in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are Wuxing City Investment HK Company Limited ("**Wuxing HK**") (吳興城投(香港)有限公司) and Huzhou City Wuxing District State-owned Capital Supervision and Management Service Centre (湖州市吳興區國有資本監督管理服務中心) respectively, which were established in Hong Kong and the PRC respectively.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual IFRS accounting standards, International Accounting Standards and Interpretations ("**IFRS Accounting Standards**").

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of amended IFRS Accounting Standards and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.3.

The consolidated financial statements have been prepared on the historical cost basis.

2.2 Going concern assumption

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net cash used in operating activities of approximately RMB26,712,000 (2024: approximately RMB830,000) and net loss of approximately RMB513,939,000 (2024: approximately RMB516,564,000) incurred for the year ended 31 December 2025 and, as of that date, the Group had net current liabilities of approximately RMB3,622,440,000 (2024: approximately RMB3,141,887,000), capital deficiency of approximately RMB3,364,292,000 (2024: approximately RMB2,851,544,000) and accumulated losses of approximately RMB4,232,359,000 (2024: approximately RMB3,718,420,000), respectively.

As at 31 December 2025, the Group's total borrowings comprising interest-bearing bank and other borrowings amounting to approximately RMB3,793,140,000 (2024: approximately RMB3,311,340,000), of which current borrowings amounted to approximately RMB3,792,160,000 (2024: approximately RMB3,309,947,000) and approximately RMB1,919,775,000 (2024: approximately RMB1,822,775,000) in principal amount were overdue as disclosed in note 16 to the consolidated financial statements, while its cash and cash equivalents amounted to approximately RMB22,864,000 (2024: approximately RMB6,346,000).

Despite of these circumstances, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the end of the reporting period, after taking into consideration of the measures and arrangements that the Group has implemented or is in the process of implementing as detailed below:

- The immediate holding company, Wuxing HK, has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements by the directors in order to maintain the Group as a going concern;

- The Group is in negotiation with financial institutions for the renewals of the Group's short-term borrowings upon expiry, new borrowings and applying for future credit facilities. Up to the date of approval of these consolidated financial statements, the Group's major lenders, Huzhou Wuxing City Investment Development Group Co., Ltd. (湖州吳興城市投資發展集團有限公司) ("湖州吳興城市投資"), Huzhou Wuxing Nantaihu Construction Investment Group Co., Ltd. (湖州吳興南太湖建設投資集團有限公司) (formerly known as 湖州吳興南太湖建設投資有限公司) ("南太湖") and Huzhou Husheng Financial Leasing Co., Ltd. (湖州湖盛融資租賃有限公司) ("湖盛融資") have shown the positive support on the Group by not requiring the Group to repay the loan of approximately RMB457,770,000, RMB2,630,678,000 and RMB392,478,000 (2024: approximately RMB376,788,000, RMB2,315,145,000 and RMB339,637,000) respectively and has undertaken to provide new financing facilities of RMB700,000,000 (2024: RMB450,000,000) for a period of twelve months from the date of approval of these consolidated financial statements. Therefore, the directors of the Company are confident that the entire borrowings can be renewed upon expiration and future credit facilities can be applied based on the Group's past experience and credit history; and

- The directors have evaluated all the relevant facts available to them and made a business plan to improve its liquidity by (i) monitoring the production activities in order to fulfill the forecast production volume and meet sales forecast, (ii) taking measures to tighten cost controls over various production costs and expenses, and (iii) any feasible financial arrangement.

The directors of the Company have reviewed the Group's cash flows forecast, prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2025 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its immediate holding company and major lenders.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.3 ADOPTION OF AMENDED IFRS ACCOUNTING STANDARDS

Amended IFRS Accounting Standards that are effective for annual periods beginning on 1 January 2025

In the current year, the Group has applied for the first time the Amendments to IAS 21 "Lack of Exchangeability", which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2025.

The amendments to IAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. Besides, the amendments also require an entity to disclose additional information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments do not have a material impact on the financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of condiment products. For management purposes, the Group operates in one business unit and has one reportable operating segment as follows:

- The food segment that manufactures and sells condiment products.

As all of the Group's revenue is derived from the sale of its products to the customers in the PRC and all of the Group's identifiable non-current assets are located in the PRC, no geographical information as required by IFRS 8 Operating Segments is presented.

Information about major customers

Revenue derived from sales to individual customer amounting to 10 percent or more of the Group's revenue for the reporting period is set out in the following table:

	2025	2024
	RMB'000	*RMB'000*
Customer A	**28,851**	30,728

4. REVENUE, OTHER INCOME AND GAINS

4.1 Revenue from contracts with customers

An analysis of revenue is as follows:

	2025	2024
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**271,702**	275,077

(i) Disaggregation revenue information

	2025	2024
	RMB'000	*RMB'000*
Type of goods		
Condiment products	**271,702**	275,077
Timing of revenue recognition		
Goods transferred at a point in time	**271,702**	275,077

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2025	2024
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**50,729**	50,097

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

4.2 Other income and gains

	2025	2024
	RMB'000	*RMB'000*
Subsidies received *(note (a))*	**398**	2,810
Amortisation of deferred income on government grants *(note 17)*	**630**	–
Bank interest income	**5**	10
Foreign exchange gain, net	**25**	214
Recovery of other receivables previously written-off *(note (b))*	**–**	8,500
Reversal of provision for loss on unauthorised guarantees *(note (c))*	**–**	17,500
Gain on lease termination	**322**	170
Write-off of other payables *(note (d))*	**1,000**	–
Gain on disposal of property, plant and equipment	**188**	–
Others	**162**	629
	2,730	29,833

Notes:

(a) The amount represented subsidies received from the relevant authorities in the PRC without any unfulfilled conditions.

(b) The other borrowings have been offset against the other receivables as at 31 December 2024, following the settlement of the legal case, in which the amount of RMB8,500,000 was written off in prior years.

(c) Based on legal advice, one of the legal case has been dismissed and the remaining legal case which the plaintiff has withdrawn the lawsuit as at 31 December 2024. Therefore, a total amount of RMB17,500,000 has been reversed during the year ended 31 December 2024.

(d) Based on legal advice, the construction contract and its supplementary agreement were rescinded by the court. Security deposit payable of RMB1,000,000 has been written off.

5. OTHER EXPENSES

	2025	2024
	RMB'000	*RMB'000*
Donations	**15**	30
Surcharge for overdue tax payment *(note)*	**29,608**	32,523
Loss on disposal of property, plant and equipment	**–**	389
Overdue interest expense *(note 16(f))*	**244,390**	252,047
Others	**139**	269
	274,152	285,258

Note:

The amount represented the provision of surcharge for overdue tax payment to be imposed by the State Administration of Taxation in the PRC.

6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	Notes	**2025** *RMB'000*	2024 *RMB'000*
Costs of inventories sold		**197,616**	202,011
Provision for inventories, net	*11*	**29**	358
Depreciation of owned assets		**26,912**	28,202
Depreciation of right-of-use assets		**1,413**	1,625
Amortisation of other intangible assets		**289**	460
Lease payments not included in the measurement of lease liabilities		**188**	342
Auditor's remuneration		**1,700**	1,800
Provision for/(Reversal of) impairment losses, net on:			
— trade receivables		**527**	219
— prepayment and other receivables		**430**	1,282
— amounts due from related companies		**95**	(10)
— right-of-use assets		**557**	789
		1,609	2,280
Written off of inventories		**4,652**	4,155
Employee benefit expenses (excluding directors' remuneration):			
— wages and salaries		**37,727**	42,152
— pension scheme contributions *(note)*		**6,373**	7,350
		44,100	49,502
Research and development costs		**11,656**	10,738
Donations	*5*	**15**	30
Foreign exchange gain, net	*4.2*	**(25)**	(214)

Note:

As at 31 December 2025 and 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025	2024
	RMB'000	*RMB'000*
Interest on bank loans	**3,546**	3,089
Interest on other borrowings	**196,103**	196,591
	199,649	199,680
Interest on lease liabilities	**118**	171
	199,767	199,851

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Group was not subject to any income tax in the Cayman Islands.

Pursuant to the relevant laws and regulations in the PRC, a wholly owned subsidiary of the Group Huzhou Laohenghe Brewery Co., Limited ("**Huzhou Laohenghe**") (湖州老恒和釀造有限公司) ("**湖州老恒和**") obtained the High and New Technology Enterprises qualification. Accordingly, it enjoyed a preferential income tax rate of 15% for the years ended 31 December 2025 and 2024 and the total unrecognised tax losses maybe carried forward for ten years from the year of incurring the loss.

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 15%–25% (2024: 15%–25%) on the taxable profits, based on the existing legislation, interpretations and practices in respect thereof.

	2025	2024
	RMB'000	*RMB'000*
Current — PRC		
Under-provision in respect of the prior year	**–**	–
Total tax charge for the year	**–**	–

A reconciliation of the income tax expense applicable to loss before income tax at the statutory rate for the jurisdiction where most of the Company's subsidiaries are located to the tax expense at the effective tax rate is as follows:

	2025		2024	
	RMB'000	*%*	*RMB'000*	*%*
Loss before income tax	**(513,939)**		(516,564)	
Tax at the statutory tax rate	**(79,465)**	**15.5**	(79,400)	15.4
Lower tax rate enacted by the local authority	**429**	**(0.1)**	747	(0.2)
Tax effect of unrecognised temporary differences	**71**	**–**	538	(0.1)
Tax losses not recognised	**73,730**	**(14.4)**	71,811	(13.9)
Tax effect of expenses not deductible for tax purpose	**6,781**	**(1.3)**	7,786	(1.5)
Tax effect of income not taxable for tax purpose	**(1,546)**	**0.3**	(1,482)	0.3
Tax charge at the Group's effective rate	**–**	**–**	–	–

As at the reporting date, the Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of approximately RMB2,464,368,000 (2024: approximately RMB2,030,210,000) and approximately RMB52,814,000 (2024: approximately RMB52,578,000), respectively. Of the total unrecognised tax losses, approximately RMB24,360,000 (2024: approximately RMB34,748,000) may be carried forward for five years from the year of incurring the loss, while approximately RMB2,440,009,000 (2024: approximately RMB1,966,873,000) that related to Huzhou Laohenghe may be carried forward for ten years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of those tax losses and deductible temporary differences due to the unpredictability of future profit streams.

9. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2025 and 2024, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 578,750,000 (2024: 578,750,000) in issue during the year.

	2025	2024
	RMB'000	*RMB'000*
Loss attributable to ordinary equity holders of the Company *(RMB'000)*	**513,939**	516,564
Weighted average number of ordinary shares in issue *(in thousands)*	**578,750**	578,750
Loss per share attributable to ordinary equity holders of the Company — Basic and diluted *(RMB)*	**0.89**	0.89

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2025 and 2024 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. INVENTORIES

	2025	2024
	RMB'000	*RMB'000*
Raw materials	**11,445**	11,742
Work in progress	**549,048**	562,479
Finished goods	**8,150**	11,865
	568,643	586,086

The Group has a significant balance of inventories and needs to maintain the majority of its base wine at an appropriate level for a period over one year to meet the future production needs. The determination of the value of inventories, which are stated at the lower of cost and net realisable value, involved significant estimation, which were influenced by the assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items.

For the year ended 31 December 2025, damage to in-process products were caused by the failure to meet the use requirements for the semi-finished products. Inventory amounting to approximately RMB4,652,000 (2024: approximately RMB4,155,000) has been written off, which was primarily due to the combined effects of the environmental factors, such as some semi-finished products being left for a long period of time, sinking of foundations and unstable stacking.

As at 31 December 2025, the carrying amount of inventories included provision of approximately RMB966,000 (2024: approximately RMB937,000), which is determined with reference to the net realisable value of the inventory items. The additional provision approximately RMB29,000 (2024: approximately RMB358,000) was made during the year ended 31 December 2025.

As at 31 December 2025, the Group's inventories with a carrying amount of approximately RMB409,873,000 (2024: approximately RMB442,122,000) were pledged to secure other borrowings granted to the Group, as further detailed in note 16(g) to the consolidated financial statements.

12. TRADE RECEIVABLES

	2025	2024
	RMB'000	*RMB'000*
Trade receivables, gross	**31,870**	27,893
Less: Allowance for credit losses	**(3,200)**	(2,673)
Trade receivables, net	**28,670**	25,220

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to three months.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025	2024
	RMB'000	*RMB'000*
Within 3 months	**21,853**	20,850
3 to 6 months	**4,055**	3,876
6 months to 1 year	**2,762**	494
	28,670	25,220

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025	2024
	RMB'000	*RMB'000*
Prepayments *(note (a))*	**4,138**	4,683
Less: Allowance for credit losses	**(1,877)**	(1,845)
Value-added tax recoverable	**100,183**	113,370
Deposits and other receivables *(notes (a) and (b))*	**23,566**	23,408
Less: Allowance for credit losses	**(3,211)**	(2,813)
	122,799	136,803
Less: Portion classified as non-current assets	**(2,040)**	(2,455)
Current portion included in prepayments, other receivables and other assets	**120,759**	134,348

Notes:

(a) Details of prepayments, deposits and other receivables as at 31 December 2025 and 2024 are as follows:

	2025	2024
	RMB'000	*RMB'000*
Prepayments for fixed assets	**2,040**	2,455
Prepayments for procurements of condiment products	**223**	175
Other prepayments	**1,875**	2,053
Deposits and other receivables *(note (b))*	**23,566**	23,408
	27,704	28,091
Less:		
Portion classified as non-current assets	**(2,040)**	(2,455)
Current portion included in prepayments, deposits and other receivables	**25,664**	25,636

(b) Included in the balances was mainly the guarantee deposit paid for sale and leaseback arrangements (note 16(h)) of approximately RMB18,850,000 (2024: approximately RMB18,850,000).

As at 31 December 2024, approximately RMB2,277,000 of deposits and other receivables was fully written off because the Group considered these receivables are unrecoverable due to the liquidity condition of the debtors.

Impairment analysis is performed at each reporting date and expected credit losses ("**ECLs**") are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic condition, as appropriate.

As at 31 December 2025, except approximately RMB3,182,000 (2024: approximately RMB3,204,000) of other receivables which has classified as Stage 3, other financial assets included in the above balance were categorised in Stage 1 at the year of the reporting period. In calculating the ECL rate, the Group considers the historical loss rate and adjusts for forward-looking data.

Except the above-mentioned balance which is categorised as Stage 3, other financial assets included in the above balance relate to receivables for which there was no recent history of default and past due amounts.

14. TRADE PAYABLES

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

	2025	2024
	RMB'000	*RMB'000*
Within 3 months	**29,068**	30,858
3 to 6 months	**17,943**	17,969
Over 6 months	**15,403**	9,211
	62,414	58,038

Trade payables of the Group are non-interest-bearing and are normally settled on terms of one to six months, extending to longer period for those long-standing suppliers. The carrying amounts of the trade payables approximate to their fair values.

15. OTHER PAYABLES AND ACCRUALS

		2025	2024
	Notes	***RMB'000***	*RMB'000*
Contract liabilities	*(a)*	**23,178**	50,729
Other tax payables	*(b)*	**38,988**	38,822
Other payables and accruals	*(c)*	**366,630**	353,345
Amount due to a director		**6**	7
Salary payables		**8,176**	9,233
		436,978	452,136

Notes:

(a) Details of contract liabilities are as follows:

	2025	2024
	RMB'000	*RMB'000*
Short-term advances received from customers		
Sales of goods	**23,178**	50,729

Contract liabilities include short-term advances received to deliver products. The decrease in contract liabilities in 2025 was mainly due to the decrease in short-term advances received from customers in relation to the provision of sale of goods at the end of the year.

(b) Included in the balances was mainly the value added tax payable of approximately RMB26,260,000 (2024: approximately RMB26,086,000).

(c) Balance includes the provision of surcharge for overdue tax payment, equipment and construction costs payables of approximately RMB277,080,000 and RMB8,317,000 respectively (2024: approximately RMB247,472,000 and RMB22,470,000).

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2025			31 December 2024		
	Effective interest rate *(%)*	**Maturity**	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Lease liabilities	**3.50–4.90**	**2026**	**1,359**	3.60–4.90	2025	1,638
Bank loans — unsecured [(a)(b)]	**5.80**	**2026**	**49,000**	5.80	2025	49,000
Bank loans — secured [(a)(c)]	**3.80–3.90**	**2026**	**20,000**	3.25	2025	10,000
Other borrowings — unsecured [(d)(f)]	**7.00**	**2025**	**240,875**	7.00	2024	217,739
Other borrowings — secured [(e)(f)(g)(h)]	**7.00–15.32**	**2025–2026**	**3,480,926**	7.00–15.32	2024–2025	3,031,570
			3,792,160			3,309,947
Non-current						
Lease liabilities	**3.50–4.90**	**2027–2030**	**980**	3.60–4.90	2026–2029	1,393
Total			**3,793,140**			3,311,340
Analysed into:						
Within one year or on demand			**3,792,160**			3,309,947
In the second year			**436**			473
In the third year to fifth years, inclusive			**544**			920
			3,793,140			3,311,340

(a) As at 31 December 2025, the Group's total facilities of bank loans amounted to RMB69,000,000 (2024: RMB59,000,000), of which RMB69,000,000 (2024: RMB59,000,000) had been utilised.

(b) As at 31 December 2025, included in the balances was bank loans amounting to RMB49,000,000 (2024: RMB49,000,000) which was unsecured, guaranteed by the intermediate holding company of the Group, 湖州吳興城市投資, bearing interest at 5.80% (2024: 5.80%) per annum and repayable within one year (2024: repayable within one year).

(c) As at 31 December 2025, included in the balances were bank loans amounting to RMB20,000,000 (2024: RMB10,000,000), which were secured, bearing interest at 3.80%-3.90% (2024: 3.25%) per annum and repayable within one year (2024: repayable within one year).

(d) As at 31 December 2025, included in the balances was other borrowings amounting to approximately RMB240,875,000 (2024: approximately RMB217,739,000) which was unsecured, bearing interest at 7.00% (2024: 7.00%) per annum and repayable within one year (2024: repayable within one year).

(e) As at 31 December 2025, included in the balances was other borrowings amounting to approximately RMB3,480,926,000 (2024: approximately RMB3,031,570,000) which were secured, bearing interest at 7.00%-15.32% (2024: 7.00%-15.32%) per annum and repayable within one year (2024: repayable within one year). Of this balance approximately RMB457,770,000, RMB2,630,678,000 and RMB392,478,000 (2024: approximately RMB376,788,000, RMB2,315,145,000 and RMB339,637,000) were from the intermediate holding company, 湖州吳興城市投資 and fellow subsidiaries of the Group, 南太湖 and 湖盛融資.

(f) As at 31 December 2025, the Group's other borrowings amounting to approximately RMB1,919,775,000 (2024: approximately RMB1,822,775,000) in principal amount were overdue and the related overdue interest expense of approximately RMB244,390,000 (2024: approximately RMB252,047,000) (note 5) was recognised for the year ended 31 December 2025.

(g) At the end of the reporting period, certain of the Group's assets were pledged to the lenders for securing the bank and other borrowings granted to the Group.

The carrying values of these assets are:

	Note	**2025**	2024
		RMB'000	*RMB'000*
Property, plant and equipment		**151,214**	169,160
Right-of-use assets		**44,361**	45,661
Inventories	*11*	**409,873**	442,122
		605,448	656,943

(h) According to the sale and leaseback agreements, if no default occurs during the lease term, the ownership of the plant and machinery shall be automatically transferred to the lessee at a nominal consideration.

The management assessed the accounting treatment and was of the view that the Group have control over the machinery and equipment as the Group had the option to acquire the assets at nominal consideration at the end of the lease period. Thus, the transfer of the machinery and equipment to the lender did not satisfy the requirement of IFRS 15 to be accounted for as a sales of assets and the Group shall continue to recognise the transferred assets as property, plant and equipment and shall recognised transfer proceeds from the lender as other borrowings.

17. DEFERRED GOVERNMENT GRANTS

	2025	2024
	RMB'000	*RMB'000*
Deferred government grants	**15,940**	–

Note:

The Group was entitled to receive grants from a Zhejiang Provincial People's Government in the PRC for further promoting enterprise technological transformation. The grant was to subsidise the Group for the upgrading its existing factory premises. The grants involved the acquisition of domestic automated filling lines and automated blending production lines. Upon the completion, the Group is expected to achieve a higher annual production capacity of various seasoning products. As at 31 December 2025, RMB16,570,000 was recognised as deferred government grants. The amortisation of deferred income from government grants amounting to approximately RMB630,000 was recognised as other income and was amortised to profit or loss over 10 years, which is the estimated useful life of the related machinery and equipment.

18. SHARE CAPITAL

Details of movement of the share capital of the Company are as follows:

	Number of shares	**RMB'000**
Authorised:		
Ordinary shares of USD0.0005 (RMB0.00305) each		
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	**1,000,000,000**	3,050
Issued and fully paid:		
Ordinary shares of USD0.0005 (RMB0.00305) each		
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	**578,750,000**	1,767

19. EVENTS AFTER THE REPORTING PERIOD

In 2026, 湖洲吳興城市投資, 南太湖 and 湖盛融資 have confirmed that they do not intend to demand payment from the Group for the amounts due to them for a period of twelve months from the date of approval of these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are one of the leading manufacturers of condiment products in the People's Republic of China (the "**PRC**" or "**China**"). We offer high quality and healthy brewed cooking wine as well as other condiments, including naturally-brewed soy sauce, naturally-brewed vinegar, soybean paste, sesame oil and fermented bean curd, which are organic without any additives. In 2025, we attained the following achievements:

(1) As one of the principal drafting entities, our subsidiary, Huzhou Laohenghe Brewery Co., Limited* (湖州老恒和釀造有限公司) ("**Huzhou Laohenghe Brewery**"), participated in the formulation of the national standard "General Principles for Evaluation of Food Traceability System" (食品追溯體系評價通則) (GB/T 46453-2025), which was promulgated in October 2025.

(2) Huzhou Laohenghe Brewery participated in the formulation of the industry standard "Cooking Huangjiu" (烹飪黃酒) (QB/T 2745–2025), which came into effect in November 2025.

(3) The "Lao Heng He Cooking Wine" brand was awarded the title of "2025 Cooking Wine Gold Best Seller" of offline cooking wine of 2025 by Fast Moving Consumer Goods (FMCG) Weekly Magazine, and the market share of the offline sales was 17.6% in 2025, ranking first for the ninth consecutive year in the industry.

In 2025, the Chinese government continued to prioritise the promotion of consumption and expansion of domestic demand, shifting the focus of economic policies towards improving livelihood and supporting consumer spending. Against the backdrop of rapid changes in the external environment and growing uncertainty, the pace of consumption recovery fell short of expectations, and procurement demand in the catering sector was weak. The condiment industry experienced intensifying homogeneous competition, with certain small and medium-sized brands reducing prices to clear inventories, which placed pressure on selling prices and gross profit margins across the industry. In light of the intensification of the abovementioned situation, the Group adhered to the spirit of the "Year of Grasping Projects and Advocating Reform" (大抓項目年、大促改革) meeting held in 2025, and continued to enhance its market competitiveness and drive product sales growth through various measures, including improving quality and efficiency, upgrading operational capabilities, driving product innovation and revitalising our distribution channels.

In 2025, in respect of market strategy and promotion, the Group further enhanced the planning and design of its mid-to-high-end product packaging, promotional campaigns, online media presence and key offline promotion channels. In addition, the Group implemented a multi-tiered channel strategy to establish core markets and flagship stores. It is also focusing its efforts on supermarkets, online channels to concentrate resources on the big single products, thereby enhancing customer loyalty. Leveraging its long-established brand heritage and product quality, the Group sought to reinforce the market positioning of its products as the "time-honored brand, big single product, high-end and cost-effective time-honored product" (老品牌、大單品、高端化及高性價比的中華老字號產品) and occupy a leading position in the diversified condiment products sector.

In terms of product research and development and quality, in 2025, the Group continued to engage external technical professionals to form a research and development team, and established comprehensive product research and development systems and procedures. The Group also cooperated with tertiary institutions to carry out research on brewing theories. The Group successfully standardised its production process and developed new products, while also improving the technology of the new production lines of soy sauce and soybean paste. In addition, the Group continued to strengthen its food safety technology protection capabilities by purchasing relevant equipment and testing instruments, strengthening technical support, increasing staff training and improving its food safety control system to strictly monitor the whole process. The Group has built a whole-process digital food safety traceability system, formulated emergency plans and disposal plans for food safety accidents and established a sound risk management and control mechanism to gradually improve and enhance the establishment of the quality system and greatly enhance product quality.

In respect of new product launches, in 2025, the Group captured the upgraded trend of health-conscious consumption, and completed its strategic expansion into multiple categories of organic products. Following the launch of the single-category cooking wine in 2024, the Group expanded its organic product portfolio to include soy sauce, rosy rice vinegar and fermented bean curd. The number of successfully developed products increased from two to more than six, achieving comprehensive coverage of core household cooking scenarios. Market response has exceeded expectations, with sales revenue from such products increased by approximately 287.6% year-on-year to approximately RMB1.1 million.

In respect of sales channels, in 2025, the Group actively embraced the digital transformation strategy by expanding online sales channels and enhancing the brand's online influence. Total online sales revenue for the year amounted to approximately RMB30.8 million, representing approximately 11.3% of the Group's total revenue and an increase of approximately 34.1% as compared with the corresponding period of 2024. In particular, online sales of newly launched products such as cooking wine and aged soy sauce delivered particularly notable performance, which provided robust data support for the Group's product development and marketing strategies, thereby further enhancing the brand's recognition and reputation among younger consumer groups.

In respect of production plant management, in 2025, the Group continued to refurbish and upgrade its existing equipment, improve and innovate its production processes, formulate standardised systems, optimise operational workflows, enhance the capabilities of its production management team, and streamline its production team. Meanwhile, in order to support the sales and research and development teams in exploring and developing new products, the Group purchased certain equipment to enhance labour efficiency of the production plant, reduce production cost, and further enhance the competitiveness of the Group's products in the market.

In 2025, the Group recorded sales revenue of approximately RMB271.7 million, representing a decrease of approximately 1.2% as compared to approximately RMB275.1 million for the corresponding period of 2024, which was primarily attributable to the weak consumer environment, as well as the adjustments made by certain key clients based on their own business plans, which led to changes in their cooperation with the Group, resulting in a corresponding decline in the Group's revenue.

In 2025, our cooking wine products remained as our major source of revenue, accounting for approximately 69.3% of our total revenue. Meanwhile, as we continued to reposition our soy sauce products and pursue product innovation, sales revenue from our soy sauce products in 2025 amounted to approximately RMB28.6 million, accounting for approximately 10.5% of our total revenue. In terms of market strategy, our existing distributors are located across fourth-tier and fifth-tier cities in 30 provinces, autonomous regions and municipalities in China. We continued to promote channel penetration and development of distribution and catering channels in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim region, actively expand overseas markets, and increase investment and introduce various promotional measures to increase the reach of our products at sales terminals. In order to align with the aforementioned market penetration strategy and to cope with the adverse factors such as insufficient market consumption power and intensifying price involution, we have adjusted its product mix to place greater emphasis on the development of high-margin products, thereby increasing the proportion of sales of mid-to-high-end products with relatively higher gross margins. As a result, the gross profit margin of the Group's products increased from approximately 26.6% in 2024 to approximately 27.3% in 2025.

The loss attributable to ordinary equity holders of the Company was approximately RMB513.9 million in 2025 (the corresponding period of 2024: approximately RMB516.6 million), representing a decrease of approximately 0.5% as compared to the corresponding period of 2024, due to the combined effect of the above mentioned decline in revenue and increase in gross profit. Based on the expected decline in sales of cooking wine, soy sauce, rice vinegar, fermented bean curd and other products as a result of the diversified demand from existing customers and further development of sales channels, we believe that a rich and diversified condiment product portfolio will be more beneficial to the business development of the Group in the coming years. We uphold a natural, healthy and nutrition-oriented approach and develop low fat, low sugar, low salt, organic, additive-free and other healthy products. Meanwhile, we are planning to further develop the horizontal, customised products and vertical condiment industry chain, and make Lao Heng He a diversified condiment manufacturer with cooking wine as the leading product.

Our profitability mainly depends on product pricing, cost of sales, marketing strategies and product structure and composition, as well as factors during the reform of the Group. We actively monitor any potential risks that may affect our financial results and strive to mitigate the increase in costs and expenses with more efficient operations, higher profit margin, better product portfolio, and sales channel penetration. However, the Group also faces certain risks in the course of its business development, including: (1) the risk of substantial increase in production costs, such as increase in the prices of agricultural and sideline products, packaging costs and labour costs; (2) changes in consumer education, awareness and habits in the consumption of cooking wine products, as well as the competition between multiple sales channels, which have a negative impact on our sales; (3) significant increase in market expansion costs and sales expenses beyond the Group's expectations; (4) the possibility that our new products may fail to gain market acceptance in the short term; (5) increased complexity in the management of sales policies and credit terms due to challenging business environment, intensifying involution and cost pressure faced by the distributors; and (6) the impact of uncertainty in the new international economic environment.

FINANCIAL REVIEW

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year
	2025	2024	Change
	RMB'000	*RMB'000*	%
Income statement items			
Revenue	**271,702**	275,077	(1.2)
Gross profit	**74,086**	73,066	1.4
Loss attributable to ordinary equity holders of the Company	**(513,939)**	(516,564)	(0.5)
Loss before interest, taxes, depreciation and amortisation ("**LBITDA**")	**(285,558)**	(286,426)	(0.3)
Loss per share (RMB) *(note a)* — basic and diluted	**(0.89)**	(0.89)	0.0
Selected financial ratios			
Gross profit margin (%)	**27.3**	26.6	2.6
Net loss margin attributable to ordinary equity holders of the Company (%)	**(189.2)**	(187.8)	0.7
LBITDA margin (%)	**(105.1)**	(104.1)	1.0
Return on equity holders' equity (%)	**(15.3)**	(18.1)	(15.5)
Gearing ratio *(note b)* (%)	**468.5**	393.5	19.1

Notes:

(a) Please refer to note 10 to the consolidated financial statements of this report for the calculation of loss per share.

(b) The gearing ratio is based on net debt divided by total deficit plus net debt as at 31 December 2025. Net debt includes total debt net of cash and cash equivalents. Total debt includes trade payables, other payables and accruals, amounts due to related companies, amount due to immediate holding company, interest-bearing bank and other borrowings and provision for long service payment.

Revenue

The revenue of the Group decreased by 1.2% from RMB275.1 million in 2024 to RMB271.7 million in 2025. The decrease in revenue of the Group was primarily attributable to the weak consumer environment, as well as the adjustments made by certain key clients based on their own business plans, which led to changes in their cooperation with the Group, resulting in a corresponding decline in the Group's revenue.

Revenue from cooking wine products increased by 0.6% from RMB187.0 million in 2024 to RMB188.2 million in 2025, primarily due to the combined effect of continuous launch of new products and optimisation of structure of old products to better satisfy consumers' need for diversification as well as the increase in promotional efforts of online products.

While introducing new products to the market, we also continued to adjust our product portfolio of soy sauce, rice vinegar and other products by reducing the production volume of low-performing products during this period. As a result, the revenue from soy sauce, rice vinegar and other products decreased by 5.3% from RMB88.2 million in 2024 to RMB83.5 million in 2025.

Cost of Sales

The Group's cost of sales, including raw materials, manufacturing overhead and salaries and benefits, decreased by 2.2% from RMB202.0 million in 2024 to RMB197.6 million in 2025, primarily attributable to the increase in the proportion of sales of mid-to-high-end products with relatively higher gross margins.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 1.4% from RMB73.1 million in 2024 to RMB74.1 million in 2025, and the gross profit margin increased from 26.6% in 2024 to 27.3% in 2025, which was primarily attributable to the Group's efforts to continue to optimise its product mix in 2025 to respond to changes in consumer behavior and a competitive market brought by price involution and significant pressure, resulting in a higher proportion of sales of mid-to-high-end products with relatively higher gross profit margins. Through stringent cost control, the Group further enhanced the profitability of its high-margin products.

Other Income and Gains

Other income and gains decreased by 90.9% from RMB29.8 million in 2024 to RMB2.7 million in 2025. Other income and gains primarily include government subsidies received and interest income. The decrease in other income and gains for the period was primarily due to the reduction in the reversal of provision for loss and government subsidies received.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, marketing expenses, traveling expenses, and remuneration for our sales employees. The Group's selling and distribution expenses decreased by 5.4% from RMB86.9 million in 2024 to RMB82.2 million in 2025. The Group's selling and distribution expenses as a percentage of the Group's revenue decreased from 31.6% in 2024 to 30.3% in 2025, primarily due to the combined impact of the Group's implementation of cost-saving and efficiency-enhancing strategies, including the reduction of unnecessary expenses.

Administrative Expenses

Administrative expenses decreased by 30.7% from RMB41.0 million in 2024 to RMB28.4 million in 2025, mainly due to the combination of factors, including the Group's implementation of cost-cutting and efficiency-enhancing strategies and the reduction of unnecessary expenses.

Finance Costs

Finance costs remained relatively stable with RMB199.8 million in 2025 as compared to RMB199.9 million in 2024.

Loss before Income Tax

As a result of the foregoing, the loss before income tax decreased by 0.5% from RMB516.6 million in 2024 to RMB513.9 million in 2025.

Income Tax Expense

The corporate income tax of the Group in respect of its operations in Mainland China has been provided at the rate of 15%–25% (corresponding period of 2024: 15%–25%) on the taxable profits, in accordance with the existing legislation, interpretations and practices.

Income tax expense was nil in 2024 and 2025, mainly due to loss arising from the business.

Loss Attributable to Ordinary Equity Holders of the Company

Loss attributable to ordinary equity holders of the Company decreased by 0.5% from RMB516.6 million in 2024 to RMB513.9 million in 2025, primarily due to the decrease in loss attributable to ordinary equity holders of the Company.

Loss per Share Attributable to Ordinary Equity Holders of the Company

Basic loss per share remained at RMB0.89 in 2024 and 2025.

Net Loss Margin

Net loss margin increased by 0.7% from 187.8% in 2024 to 189.2% in 2025, which was primarily attributable to the combined effect of the aforesaid items.

FINANCIAL AND LIQUIDITY POSITION

Prepayments, Deposits and Other Receivables

Details of the Group's prepayments, deposits and other receivables as at 31 December 2025 and 2024 are as follows:

	2025	2024
	RMB'000	*RMB'000*
Prepayments for fixed assets	**2,040**	2,455
Prepayments for procurements of condiment products	**223**	175
Other prepayments	**1,875**	2,053
Deposits and other receivables	**23,566**	23,408
	27,704	28,091
Less: Portion classify as non-current assets	**(2,040)**	(2,455)
Current portion included in prepayments, deposits and other receivables	**25,664**	25,636

Trade Receivables

Trade receivables increased from RMB25.2 million as at 31 December 2024 to RMB28.7 million as at 31 December 2025 and the turnover days of trade receivables rose from 33 days in 2024 to 36 days in 2025, which was mainly due to the aforementioned changes in the market consumption environment and sales channels, which have led to increased cash flow pressures for some customers and a slowdown in payment schedules, resulting in a corresponding increase in the Group's turnover days of trade receivables. Details of the ageing analysis of trade receivables are set out in note 12 to the consolidated financial statements in this report.

In 2025, we classified our distributors into two categories, namely core distributors and non-core distributors, based on their scale, channels, capability and cooperativeness, local influence and other factors. We concentrated our resources on terminal construction and market development, ensuring orderly development and rational allocation, with an aim of cultivating all of them into our core distributors.

Inventories

As at 31 December 2025, the carrying amount of the Group's inventories amounted to RMB568.6 million (31 December 2024: RMB586.1 million), of which RMB385.3 million (31 December 2024: RMB420.2 million) were base wine.

Inventories decreased from RMB586.1 million as at 31 December 2024 to RMB568.6 million as at 31 December 2025, primarily due to the combined effect of the increase in the use of work in progress and sales of finished goods resulting from the significant increase in sales of mid-to-high-end products and provision of impairment loss for certain inventories during the period. A substantial part of our inventories are work in progress, mainly representing base wine, base soy sauce, semi-finished soybean paste and base vinegar in the brewing period. Due to the long production cycle and short sales cycle, we reserve certain amount of well-aged base wine produced through different processes to cope with the sales growth in the future.

We regularly monitor the inventory level maintained by our distributors. Our sales representatives maintain frequent telephone or email communications with our distributors to inquire about their monthly inventory reports, and pay regular visits to their warehouses. Our sales representatives conduct statistics on the inventory of distributors at least once a month, which is reported to the Company weekly, and pay regular visits to the warehouses of distributors to ensure that they keep optimal stock level and our products are sold to end sellers within the shelf life. We generally expect our distributors to maintain sufficient stock for 30 to 60 days of supply. In the event a distributor maintains stocks of more than 45 days of supply, the relevant sales representatives will assist such distributor in marketing and promotional activities and suggest orders with a smaller amount to be placed for the subsequent periods to minimise excess inventory.

As at 31 December 2025, our inventories with a carrying amount of RMB409.9 million (31 December 2024: RMB442.1 million) were pledged to secure other borrowings granted to the Group.

Borrowings

As at 31 December 2025, the Group's total borrowings amounted to RMB3,793.1 million (31 December 2024: RMB3,311.3 million). The Group's principal sources of liquidity include cash generated from business operations and bank and other borrowings. The cash from these sources was primarily used for the Group's working capital and the expansion of production capacity. Currently, the Group does not employ any financial instruments to hedge against the interest rate exposure.

Exchange Risk

The Group conducted its business primarily in China with the majority of its revenue and expenditures denominated in Renminbi. The Group does not have a foreign currency hedging policy. However, the management will monitor the situation and will consider hedging any significant foreign currency exposure should the need arise.

Liquidity and Financial Resources

As at 31 December 2025, the Group had cash and cash equivalents of RMB22.9 million (31 December 2024: RMB6.3 million). As at 31 December 2025, we had interest-bearing bank and other borrowings of an aggregate amount of RMB3,793.1 million (31 December 2024: RMB3,311.3 million), which were denominated in RMB with interest rates from 3.50% to 15.32% per annum.

Our principal sources of liquidity include cash generated from business operation and bank and other borrowings. We used cash from such sources for working capital, production facility expansions, other capital expenditures and debt repayment. We expect these uses will continue to be our principal uses of cash in the future, and that our cash flow will be sufficient to fund our ongoing business requirements. Meanwhile, we have decided to further broaden our financing channel to improve our capital structure.

Gearing Ratio

The gearing ratio of the Group increased from 393.5% as at 31 December 2024 to 468.5% as at 31 December 2025.

The gearing ratio is based on net debt divided by total deficit plus net debt as at 31 December 2025. Net debt includes total debt net of cash and cash equivalents. Total debt includes trade payables, other payables and accruals, amounts due to related companies, amount due to immediate holding company, interest-bearing bank and other borrowings and provision for long service payment.

Capital Commitments

Capital commitments as at 31 December 2025 amounted to RMB4.6 million (31 December 2024: RMB6.2 million), mainly due to payment of part of the cost of equipment and construction in progress.

Contingent Liabilities

As at 31 December 2025, the Group did not have any material contingent liability.

Pledge of Assets

As at 31 December 2025, our inventories with a carrying amount of RMB409.9 million, property, plant and equipment with a carrying amount of RMB151.2 million and right-of-use assets with a carrying amount of RMB44.4 million were pledged to secure general financing granted to us.

Except as disclosed in this announcement, the Group did not enter into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third party. The Group does not have any interest in any unconsolidated entity to which the Group provides financing, liquid capital, market risk or credit support or for which the Group engages in leasing or hedging or research and development or other services.

MATERIAL ACQUISITION AND DISPOSAL

The Company had no material acquisition and disposal as at 31 December 2025.

SIGNIFICANT INVESTMENTS HELD

Our Group did not hold any significant investments during the year ended 31 December 2025.

FUTURE PROSPECTS

Looking forward to 2026, China will continue to focus on stabilising employment, enterprises, the market and expectations, promoting effective qualitative improvement and reasonable quantitative growth in the economy, maintaining social harmony and stability, as well as ensuring a good start to the 15th Five-Year Plan. The government will continue to prioritise "expanding domestic demand with a focus on boosting consumption", clearly shifting the focus of economic policies towards improving livelihood and promoting consumption. Adhering to the domestic demand-led approach, the government proposes to strengthen the domestic market, further implement special initiatives to boost consumption, formulate and implement plans to increase the incomes of urban and rural residents, and expand the supply of high-quality goods and services.

The entire condiment industry has entered an era of mass-market product reduction amidst competition for existing market share and value upgrading. This has led to channel fragmentation and consumption downgrade, resulting in a poor user experience for all "mass-market" products and channels. The rise of "discount business model" with high cost-performance ratio both online and offline has disrupted the existing division of labour and profit-sharing arrangements, leaving members across the entire supply chain feeling increasing difficulty generally. The cooking wine segment is emerging as a key driver of structural growth. Given the current market landscape for cooking wine, characterised by a proliferation of regional brands and the absence of a clear national leader, the key direction of evolution for the food industry from the 14th Five-Year Plan to the 15th Five-Year Plan will be a shift from "meeting value-for-money demands" to "creating diverse consumption landscape", and from "focusing on price" to "targeting value". As the market conditions change, consumer purchasing habits shift, and consumers pay more attention to health, safety and nutrition, the condiment industry will emphasise product innovation and upgrades. Nutrition, health, safety, deliciousness and convenience will become the main themes of industry innovation and development, driving the industry towards intelligent, environmental friendly, and scenario-based advancements.

The Group adheres to a consumer-oriented approach and maintains unwavering quality, delivering the operating philosophy of "perseverance combined with good-naturedness and creditworthiness (恒以持之、和信為本)" to consumers through products to resonate with them. With the popularisation of healthy eating concepts, consumers are increasingly focused on the nutritional content and health attributes of condiments. We uphold a natural, healthy and nutrition-oriented approach and develop low fat, low sugar, low salt, organic, additive-free and other healthy products, leveraging our own strengths to continuously innovate, meet consumers' personalised, diversified, health-conscious, convenient, and scenario-based needs, and deliver a visually appealing, high-quality, safe, nutritious and delicious experience to our consumers. We actively promote the integration of food technology and production practices. We are committed to becoming an ambassador for the cooking wine industry and a trusted advisor on seasoning for consumers.

In response to the increasingly stringent food safety regulatory environment and environmental protection policy requirements, the Group, as a leader in the realm of base wine manufacturing, has demonstrated remarkable competitiveness in terms of technological advantages, market influence and risk resilience. Riding on its brand recognition, modernised and upgraded traditional craftsmanship, a well-developed and mature quality control system and an efficient product research and development system, the "Lao Heng He" brand cooking wine products are poised to achieve broader room of development and value growth.

In addition to consolidating its leading position in the mid-to-high-end cooking wine and cereal-based brewed cooking wine markets, the Group maintains a diversified product structure strategy by expanding the breadth of its product lines laterally and deepening its product mix vertically to address market demand proactively and deliver a variety of green, healthy and palatable condiments. We will continue to innovate and upgrade alongside dimensions ranging from bacterial strain research, smart and digital brewing, online quality control and spice craft process improvement, with a view to driving the enterprise's sustainable development through technological innovation, solidifying and strengthening the leading position of "Lao Heng He" in the cooking wine market, fulfilling its promise of being the "most trusted partner" and delivering safe, healthy and delectable cooking wine product experience to consumers. In the face of fierce market competition, we will differentiate ourselves with our distinguished high-quality products, strive to achieve outstanding business performance, gain deep trust from consumers, and ultimately achieve sustainable development and value growth of the enterprise.

Therefore, we firmly believe that "Lao Heng He" products will maintain growth momentum in China's market.

GOALS AND STRATEGIES

Looking forward to 2026, as the concluding year of "14th Five-Year" in China, the economic growth target is expected to reach around 5%. The Chinese economy continues to operate steadily with progress, achieving new results in high-quality development. Key economic indicators remain strong. New quality productive forces are developing actively, while reform and opening-up is deepening. Risks in key areas have been effectively mitigated, and safeguards for people's livelihoods have been further strengthened, demonstrating robust vitality and resilience. We will focus on stabilising employment, enterprises, markets, and expectations, consolidating the domestic economic cycle, optimising the external economic cycle, and promoting the dual economic cycle. We will enhance efforts to stabilise investment and boost consumption, expand investment, strengthen the full-cycle management of government investment projects, and stimulate private investment. We will drive the development of the "two priorities" with high standards, implement policies for the "two new sectors" in a way that enhances quality and efficiency, and stimulate market vitality to boost consumption. In the new economic landscape, our market strategy remains consumer-centric, focusing on developing high-quality, affordable products with high cost-effectiveness that address diverse consumer needs. We will allocate resources to create products suitable for various sales channels, striving to enhance customer loyalty. Our commitment is to provide consumers with better quality, safer, faster, healthier, and more nutritious naturally brewed condiments.

The Group's annual meeting focused solely on the "Gathering Momentum for a Brighter Future and Winning New Battles" conference initiated by Huzhou Wuxing City Investment Development Group Co., Ltd. (湖州吳興城市投資發展集團有限公司) in 2026. It highlighted that 2026 marks the start of the 15th Five-Year Plan, a year brimming with opportunities and a pivotal year for transformation. The entire Group must fully integrate into the region's "169" high-quality development framework, vigorously advance the Group's "158" high-quality development work system, and adhere to the guiding principle of "mitigation of the debt risks and transformation". Adopting a determined mindset of "sprinting from the outset", striving for the lead from the start, and exerting efforts across the board throughout the year, we aim to put our best efforts to successfully navigate the first stage of the 15th Five-Year Plan for ensuring a "strong start" and securing "success for the whole year". The Group will exert significant effort in quality customer development, enhancing the customised model, establishing a robust quality control system, and increasing investment in research and development, introducing new technologies and techniques to enhance product and service quality, establishing long-term cooperative relationships with suppliers, optimising the procurement processes, reducing procurement costs, and strictly controlling various expenses. The objectives are to raise revenue, cut costs, increase efficiency, and achieve business goals swiftly and steadily, ultimately striving for higher operating performance. This approach will lay a solid foundation for the future development of the Group's business. Despite market challenges, the Group remains optimistic about the future. The Group will also focus on developing other condiment areas to further promote business growth.

Our business objective for 2026 is to enhance our market position in the condiment industry by expanding diversified sales channels and conducting sales of portfolio products by leveraging our leading position in the cooking industry and the brand influence of our century-old Chinese brand. On the one hand, we will focus on product innovation and quality enhancement. By gaining an in-depth understanding of consumer needs and market trends, we will develop distinctive new condiments, such as low sodium, low fat, low sugar, low salt, organic, and other health-oriented products, as well as condiments with natural ingredients or functional properties, to meet the healthy eating trend. Meanwhile, we will strengthen quality control to ensure food safety and flavor consistency, thereby establishing a positive brand image. On the other hand, we will actively enhance marketing and brand promotion to enhance the brand's online visibility and interactivity by utilising digital marketing tools such as social media and content marketing. In addition, we will continue to cooperate with strong online platforms and offline distributors through diversified development channels to increase the market share of the "Lao Heng He" brand in the Chinese market.

We continue our development of new retail models and discount retail channels while continuously stepping up our efforts in the research and development of online products and establishing various online channels that integrate traditional e-commerce with emerging retail platforms. These include WeChat, Weibo, Douyin, Rednote, Bilibili, online platforms for key account (KA) clients' retail outlets and supermarkets, community e-commerce platforms, and group-buying e-commerce platforms. By using digital marketing tools such as live streaming and short videos, we will achieve a multi-dimensional, full-coverage brand communication effect. Additionally, we strive to strengthen the connection between social e-commerce and communities, creating a community distribution model guided by all employees. We will also effectively engage with young consumer groups on social media, leverage fan economy, and build private communities to extensively increase marketing exposure and brand visibility.

"Lao Heng He" is committed to becoming the brand of choice for consumers.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after 31 December 2025. For other subsequent events, please refer to note 19 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2025, the Group had approximately 439 full-time employees (31 December 2024: 509). The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions. The remuneration policies, bonus, evaluation systems and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2024 annual report and no change has been made in 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) for the year ended 31 December 2025. As at 31 December 2025, the Company did not hold any treasury shares.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2026 AGM

For the purpose of determining the rights to attend and vote at the Company's forthcoming annual general meeting to be held on 28 May 2026 (the "**2026 AGM**"), the register of members of the Company will be closed from 22 May 2026 to 28 May 2026 (both days inclusive), during which period no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of members of the Company on 28 May 2026 are entitled to attend and vote at the 2026 AGM. In order to be entitled to attend and vote at the 2026 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 May 2026.

SUFFICIENCY OF PUBLIC FLOAT

As disclosed in the announcement of the Company dated 23 January 2026, Mr. Mao Huixin ("**Mr. Mao**") increased his shareholding to approximately 10.09% as indicated in the disclosure of interest form on 20 December 2025. The public float of the Company following the abovementioned event and as at 31 December 2025 was approximately 23.27% which was below 25.00% of the total number of issued shares of the Company required to be held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules.

As disclosed further in the announcement of the Company dated 4 March 2026, based on the disclosure of interest form filed on 3 March 2026 by Mr. Mao, he disposed of 600,000 Shares, equivalent to approximately 0.1% of the total number of issued Shares of the Company on 3 March 2026. As a result, to the best knowledge of the Company, 193,080,900 Shares, representing approximately 33.36% of the total number of issued Shares, are held by the public following Mr. Mao's disposal and as at date of this announcement. The minimum public float of the Company of 25.00% of the total number of shares in issue as required by the Listing Rules has been restored.

CORPORATE GOVERNANCE

The Board monitored the corporate governance practices of the Company throughout the year under review.

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company had complied with the code provisions set out in the Corporate Governance Code (the "**Governance Code**") contained in Appendix C1 to the Listing Rules during the year ended 31 December 2025, save for the deviation set out below.

Code provision C.2.1 of the Governance Code provides that the roles of the chairman of the Company (the "**Chairman**") and the chief executive of the Company (the "**Chief Executive Officer**") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. From 1 January 2025 to 2 June 2025, Mr. Chen Wei was the Chairman. During such period, the Company had no Chief Executive Officer. The executive deputy general manager and the senior management team of the Company met regularly to collectively manage the day-to-day operation and business of the Group. The Board believed that such management structure allowed stable and consistent leadership in the Company's decision making and operational efficiency in the absence of a Chief Executive Officer.

On 3 June 2025, (i) Mr. Chen Wei tendered his resignation as an executive Director and the Chairman; (ii) Mr. Huang Dachun was appointed as an executive Director and the Chairman; and (iii) Mr. Zhu Bing was appointed as an executive Director and the Chief Executive Officer. On 5 November 2025, (i) Mr. Zhu Bing tendered his resignation as an executive Director and the Chief Executive Officer; and (ii) Mr. Li Qinghua was appointed as an executive Director and the Chief Executive Officer. As a result, the roles of the chairman and the chief executive has been separated, and the Company has complied with the code provision of C.2.1 of the Code since 3 June 2025.

Save for the deviation set out above, the Company has complied with the code provisions set out in the Governance Code for the year ended 31 December 2025.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and implementing a high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors of the Company and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors of the Company confirmed that they have complied with the Model Code during the year ended 31 December 2025. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended 31 December 2025.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "**Auditor**"), to the amounts set out in the Company's consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the independent auditor of the Group on the consolidated financial statements of the Group for the year ended 31 December 2025.

Material Uncertainty Related to Going Concern

We draw attention to note 2.2 to the consolidated financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee which comprises all independent non-executive Directors, namely Mr. Ng Wing Fai (Chairman), Mr. Sun Jiong and Mr. Shen Zhenchang has reviewed the consolidated financial statements of the Group for the year ended 31 December 2025, including accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

The Audit Committee has reviewed the remuneration and independence of the auditor of the Company, Grant Thornton Hong Kong Limited, and recommended that the Board re-appoint Grant Thornton Hong Kong Limited as the Company's auditor for 2026, which is subject to the approval of the shareholders of the Company at the 2026 AGM.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hzlaohenghe.com. The 2025 annual report of the Company will be dispatched to the shareholders of the Company and published on the above-mentioned websites on or before 30 April 2026.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Honworld Group Limited
Huang Dachun
Chairman

Hong Kong, 30 March 2026

As at the date of this announcement, the executive directors of the Company are Huang Dachun and Li Qinghua; the non-executive director of the Company is Wang Yanping and the independent non-executive directors of the Company are Shen Zhenchang, Ng Wing Fai and Sun Jiong.