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SHENGUAN HOLDINGS (GROUP) LIMITED

神冠控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00829)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL AND OPERATING SUMMARY FOR THE YEAR ENDED 31 DECEMBER

<i>(RMB million, except where otherwise stated)</i>	2025	2024	Change
Revenue	1,023.3	1,016.8	+0.6%
(Loss)/profit attributable to owners of the parent	(69.8)	26.7	N/A
Basic (loss)/earnings per share <i>(RMB cents)</i>	(2.2)	0.8	N/A
Dividend per share <i>(HK cents)</i>			
– Final	–	2.0	N/A
– Special (Final)	–	2.0	N/A
Net cash flows used in operating activities	(88.5)	(143.3)	-38.2%
Total assets	2,764.6	2,829.2	-2.3%
Inventory turnover day – Raw materials (days)*	65.7	61.1	+4.6 days
Inventory turnover day – Finished goods & Work in progress (days)*	262.0	223.4	+38.6 days
Trade receivables turnover day (days)*	62.2	61.3	+0.9 days
Trade payables turnover day (days)*	78.0	67.0	+11.0 days

* *Calculated based on the average value between the beginning of the year and the end of the year*

The board (the “Board”) of directors (the “Directors”) of Shenguan Holdings (Group) Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, “Shenguan” or the “Group”) for the year ended 31 December 2025 (the “Year” or the “Period”), which have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants. The consolidated annual results of the Group for the Year have been reviewed by the audit committee of the Company (the “Audit Committee”) and approved by the Board on 30 March 2026.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
REVENUE	4	1,023,274	1,016,812
Cost of sales		(918,542)	(845,729)
Gross profit		104,732	171,083
Other income and gains, net	4	34,075	57,700
Selling and distribution expenses		(30,823)	(33,518)
Administrative expenses		(131,720)	(131,085)
Finance costs	6	(6,682)	(7,295)
Share of loss of an associate		–	(3,128)
Impairment of trade and bills receivables		(3,174)	(5,362)
Impairment of financial assets included in prepayments, other receivables and other assets		(1,730)	(4,248)
PROFIT/(LOSS) BEFORE TAX	5	(35,322)	44,147
Income tax expense	7	(31,349)	(15,247)
PROFIT/(LOSS) FOR THE YEAR		(66,671)	28,900
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		(6,472)	5,025
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation gain on transfer of right-of-use assets and property, plant and equipment to investment properties		25,246	–
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		18,774	5,025
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(47,897)	33,925

	<i>Note</i>	2025 RMB'000	2024 <i>RMB'000</i>
Profit/(loss) attributable to:			
Owners of the parent		(69,773)	26,664
Non-controlling interests		3,102	2,236
		<u>(66,671)</u>	<u>28,900</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(50,999)	31,689
Non-controlling interests		3,102	2,236
		<u>(47,897)</u>	<u>33,925</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	9		
Basic (<i>RMB cents per share</i>)		<u>(2.2)</u>	<u>0.8</u>
Diluted (<i>RMB cents per share</i>)		<u>(2.2)</u>	<u>0.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		826,159	977,416
Investment properties		156,169	30,828
Net investments in sublease		144	372
Right-of-use assets		98,560	104,532
Investment in an associate		–	–
Deferred tax assets		23,569	15,340
Prepayments, other receivables and other assets		47,297	47,154
Time deposits		–	114,000
Total non-current assets		1,151,898	1,289,642
CURRENT ASSETS			
Inventories		835,549	813,976
Trade and bills receivables	<i>10</i>	190,191	158,838
Prepayments, other receivables and other assets		28,457	34,098
Net investments in sublease		281	274
Tax recoverable		2,897	70
Pledged deposits		21,501	28,478
Cash and cash equivalents		533,845	503,804
Total current assets		1,612,721	1,539,538
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	84,948	111,160
Other payables and accruals		120,630	140,532
Interest-bearing bank borrowings		400,195	240,285
Lease liabilities		2,660	3,605
Tax payable		9,943	12,774
Total current liabilities		618,376	508,356
NET CURRENT ASSETS		994,345	1,031,182
TOTAL ASSETS LESS CURRENT LIABILITIES		2,146,243	2,320,824

	<i>Note</i>	2025 RMB'000	2024 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		3,001	4,085
Deferred income		16,353	16,402
Deferred tax liabilities		573	7,646
		<hr/>	<hr/>
Total non-current liabilities		19,927	28,133
		<hr/>	<hr/>
Net assets		2,126,316	2,292,691
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	27,807	27,807
Reserves		2,098,914	2,269,078
		<hr/>	<hr/>
		2,126,721	2,296,885
Non-controlling interests		(405)	(4,194)
		<hr/>	<hr/>
Total equity		2,126,316	2,292,691
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NOTES TO FINANCIAL INFORMATION

31 December 2025

1. CORPORATE AND GROUP INFORMATION

Shenguan Holdings (Group) Limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2009 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of edible collagen sausage casing products, collagen food products, collagen skin care products and collagen medical biomaterials.

2.1 BASIS OF PREPARATION

This financial information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. This financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year’s financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries and associate for translation into the Group’s presentation currency were exchangeable, the amendments did not have any impact on the Group’s financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 Disclosures about Uncertainties in the Financial Statements, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of the manufacture and sale of edible collagen sausage casing products. The Group is also involved in the manufacture and sale of collagen food products, collagen skin care products and collagen medical biomaterials.

Since over 90% of the Group's revenue is generated from its edible collagen sausage casing products, no operating segments have been aggregated to form the reportable operating segment.

Geographical information

(a) *Revenue from external customers*

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Chinese mainland	899,987	883,365
Asia (excluding Chinese mainland)	85,700	85,919
Other countries/regions	37,587	47,528
	<u>1,023,274</u>	<u>1,016,812</u>
Total revenue	<u>1,023,274</u>	<u>1,016,812</u>

(b) *Non-current assets*

The non-current asset geographical information is not presented since over 90% of the Group's non-current assets are located in the Chinese mainland.

Information about major customers

There is no individual customer accounted for 10% or more of the Group's revenue for the years ended 31 December 2025 and 2024.

4. REVENUE, OTHER INCOME AND GAINS, NET

Set out below is the disaggregation of the Group's revenue:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue from contracts with customers		
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	1,022,779	1,016,713
Services transferred over time	495	99
	<u>1,023,274</u>	<u>1,016,812</u>
Other income		
Bank interest income	15,370	27,394
Government grants	9,030	16,695
Rental income	4,374	3,910
Finance income on net investments in sublease	18	31
Sale of auxiliary materials	4,586	5,675
Others	159	–
	<u>33,537</u>	<u>53,705</u>
Gains, net		
Fair value gain on investment properties	–	394
Gain on disposal of items of property, plant and equipment, net	538	2,663
Gain on disposal of right-of-use assets	–	938
	<u>538</u>	<u>3,995</u>
Total gains, net	<u>538</u>	<u>3,995</u>
Total other income and gains, net	<u>34,075</u>	<u>57,700</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	211,880	189,317
Retirement benefit contributions	49,340	46,770
	<hr/>	<hr/>
Total	261,220	236,087
Auditor's remuneration	2,817	2,912
Cost of inventories sold	811,422	735,181
Depreciation of property, plant and equipment	70,855	77,459
Depreciation of right-of-use assets	6,514	6,969
Deficit on revaluation of property, plant and equipment	2,600	2,239
Changes in fair value of investment properties	56	(394)
Lease payments not included in the measurement of lease liabilities	907	354
Gain on disposal of items of property, plant and equipment, net	(538)	(2,663)
Gain on disposal of right-of-use assets	–	(938)
Impairment of financial assets included in prepayments, other receivables and other assets	1,730	4,248
Impairment of property, plant and equipment	3,886	4,775
Impairment of trade and bills receivables, net	3,174	5,362
Write-off of inventories	5,838	5,128
Provision against obsolete and slow-moving inventories	40,554	15,826
Foreign exchange differences, net	838	1,200
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	456	76
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6. FINANCE COSTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest on bank loans	6,379	7,034
Interest on lease liabilities	303	261
	<hr/>	<hr/>
Total	6,682	7,295
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7. INCOME TAX

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 operated.

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%).

A subsidiary located in Wuzhou, Guangxi in the Western Region of China is entitled to the region's preferential corporate income tax ("CIT") rate of 15% as set out in the Announcement of the State Taxation Administration and the National Development and Reform Commission on the continuation of preferential enterprise income tax policies in the western region (Announcement No.23 [2020]).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current – PRC	45,327	14,093
Current – Hong Kong	1,325	1,329
Deferred tax	<u>(15,303)</u>	<u>(175)</u>
Total tax charge for the year	<u><u>31,349</u></u>	<u><u>15,247</u></u>

8. DIVIDENDS

	2024 <i>RMB'000</i>
Final dividend proposed subsequent to the reporting period – HK2.0 cents per ordinary share	59,665
Final special dividend proposed subsequent to the reporting period – HK2.0 cents per ordinary share	<u>59,665</u>
	<u><u>119,330</u></u>

No final dividend and final special dividend for the year ended 31 December 2025 were proposed subsequent to the reporting period.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB69,773,000 (2024: profit for the year of RMB26,664,000) and the weighted average number of ordinary shares of 3,230,480,000 (2024: 3,230,480,000) outstanding during the year ended 31 December 2025.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

10. TRADE AND BILLS RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	151,384	120,091
Due from related parties	102	1,170
	<u>151,486</u>	<u>121,261</u>
Bills receivables	83,960	79,658
	<u>235,446</u>	<u>200,919</u>
Impairment	(45,255)	(42,081)
Net carrying amount	<u><u>190,191</u></u>	<u><u>158,838</u></u>

The Group's trading terms with its customers are mainly on credit, except for non-major customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for certain customers.

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 month	53,682	72,326
1 month to 3 months	61,007	43,777
3 months to 6 months	66,535	33,653
6 months to 1 year	8,221	3,618
Over 1 year	746	5,464
	<u>190,191</u>	<u>158,838</u>
Total	<u><u>190,191</u></u>	<u><u>158,838</u></u>

11. TRADE AND BILLS PAYABLES

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 month	39,633	38,257
1 to 2 months	3,113	12,168
2 to 3 months	805	9,753
3 to 6 months	10,980	41,396
Over 6 months	30,417	9,586
	<u>84,948</u>	<u>111,160</u>
Total	<u>84,948</u>	<u>111,160</u>

The trade payables are non-interest-bearing. The trade and bills payables are normally settled on terms ranging from 60 days to 180 days.

12. SHARE CAPITAL

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 3,230,480,000 ordinary shares of HK\$0.01 each	<u>32,305</u>	<u>32,305</u>
Equivalent to RMB'000	<u>27,807</u>	<u>27,807</u>

A summary of movements in the Company's share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Equivalent share premium <i>RMB'000</i>	Equivalent total <i>RMB'000</i>
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>3,230,480,000</u>	<u>32,305</u>	<u>10,233</u>	<u>27,807</u>	<u>98,081</u>	<u>125,888</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the year ended 31 December 2025 (the “Year”), the growth of the world economy and international trade slowed down with increasing uncertainties. Insufficient domestic demand remained a prominent hurdle, leading to significant downward pressure. The People’s Republic of China (the “PRC” or “China”), anchored to its economic and social development goals, implemented more proactive and impactful macroeconomic policies. In effectively responding to various bombardments and challenges, it successfully achieved its main economic and social development objectives, demonstrating strong resilience and vibrancy.

According to data from the National Bureau of Statistics of China, in 2025, the gross domestic product (GDP) of the PRC increased by 5.0% year-on-year, reaching RMB140,187.9 billion, continuing to serve as a significant engine for global economic growth. Among which, consumption became the main driver of the economic growth. Benefited from the in-depth implementation of special initiatives to boost consumption, the construction of major national strategic projects and key security capacity building, and policies for equipment renewals and trade-ins of consumer goods, the total retail sales of consumer goods for the Year exceeded RMB50 trillion for the first time, with final consumption expenditure contributing over 50% to economic growth. Looking ahead, as our country continues to unleash the potential of domestic demand, resident incomes grow steadily, and the consumer market constantly upgrades, domestic consumption demand is expected to keep on recovering, which will further drive the steady growth of the collagen casing market in China, hence providing solid support for the high-quality development of the industry.

BUSINESS REVIEW

During the Year, Shenguan Holdings (Group) Limited (the “Company”) and its subsidiaries (collectively the “Group”) rigorously advanced special initiatives for steady product quality improvement under the core guiding principles of “strengthening standardised management and consolidating new product quality”. The focus was on the quality control for the six products of the collagen sausage casings series, namely “fried”, “crispy”, “fresh”, “tender”, “bright” and “colorful”, while further increasing the proportion of high-end sausage casing products. The Group continued to carry out the technical transformation in intelligent production to comprehensively improve production and work efficiency. Cost management was earnestly implemented to effectively reduce production costs. At the same time, the Group intensified its market expansion efforts in new business areas such as collagen food products, collagen skincare products and polymer collagen medical biomaterials, and actively advanced the clinical trials and product licence application process for medical biomaterials products.

Collagen Sausage Casings

Focusing on the sales of six new product series, the Group actively participated in various domestic and international exhibitions during the Year. It systematically carried out customer visits and market promotion, and formulated a structured plan for new product marketing. Based on feedback from collaborative trials, the Group optimised production and sales policies, continuously expanding customer base. Sales of new products steadily increased, the trend of customers gradually switching from old products to new ones was also quite evident. New product sales accounted for more than 40% of total sales volume, continuing to drive the upgrade and iteration of the product structure.

On the production front, the Company actively addressed the challenges of regulatory requirements transition from other food categories to meat product manufacturing, systematically advancing rectification and cleanliness improvements. It comprehensively carried out on-site production rectification, cleaning and sanitation, as well as production system deep cleaning to strengthen fixed-position management and on-site hygiene standards. At the same time, to resolve those issues such as insufficient raw material supply, fluctuations in raw material quality, and workforce gaps caused by production line expansion, the Company optimised production scheduling, dynamically adjusted production processes, and outsourced auxiliary operations. These measures effectively unlocked existing production capacity, ensuring smooth and stable operations throughout the Year.

Polymer Collagen Medical Biomaterials, Collagen Food Products and Collagen Skincare Products

During the Year, the Group also recorded significant growth in sales in business segments other than collagen sausage casings, representing an increase of approximately 44.1% as compared to the year ended 31 December 2024 (the “Prior Year”). The Group performed particularly well in the polymer collagen medical biomaterials segment, with significant increases in production volume, sales, and profits. The endotoxin content of the Group’s medical collagen raw materials extracted through its proprietary technology was only 0.01 EU/ml, which is better than the 0.5 EU/ml standard set by the U.S. Food and Drug Administration (“FDA”). For the Class III medical device product licence for “collagen bone filling biomaterials (artificial bone) (膠原蛋白骨填充材料(人工骨))”, the Company is actively advancing the relevant application procedures and has achieved progress. Clinical trials for the dental medical collagen sponge (牙科醫用膠原蛋白海綿) have been completed, and the Company is currently preparing for the relevant registration application. Other research and development projects are also progressing steadily as scheduled, with all tasks advancing in an orderly and accelerated manner.

HONOURS OF THE GROUP

During the Year, the Group received the following honors:

- The brand of “Shenguan” was evaluated by the World Brand Laboratory as one of China’s 500 most valuable brands in 2025.
- Passed the re-evaluation process by the Development and Reform Commission of Guangxi Zhuang Autonomous Region, retaining its qualification as the collagen extraction technology engineering research center of Guangxi Zhuang Autonomous Region.
- Obtained the Certificate of Principal Drafting Unit for the Group Standard of Technical Guidelines for the Manufacture of Synthetic Biofoods (《合成生物食品製造技術導則》) (T/CITS 396–2025) by China Inspection and Testing Society. It also participated in the drafting of several group standards, including the Technical Guidelines for the Manufacture of Synthetic Biofoods (《合成生物食品製造技術導則》) (T/CITS 396–2025), the Technical Specifications for Industrial Comprehensive Utilization and Conversion of Non-Food Biomass” (T/CIET 1655–2025), and the Guidelines for the Construction of Integrated Platform for Synthetic Biology Manufacturing of Non-Food Biomass” (T/CIET 1767-2025).
- Awarded the title of Manufacturing Industry Champion Enterprise in Guangxi Zhuang Autonomous Region (2024–2026) by the Department of Industry and Information Technology of Guangxi Zhuang Autonomous Region.
- A subsidiary of the Group, Guangdong Victory Biological Technology Company Limited, was awarded the High-Tech Enterprise Certificate (valid for three years) and the 2025 Specialised and Sophisticated SMEs by the Department of Industry and Information Technology of Guangdong Province.

The Group has been closely collaborating with scientific research institutions and universities on forward-looking scientific research in collagen technology and achieved fruitful results in recent years. In collaboration with Huazhong University of Science and Technology, the Group co-published a research article titled “Collagen nanofiber-lignin composite sponges with adjustable hierarchical pore structure for efficient low-frequency sound absorption” in *Advanced Science Journal*, as well as another article titled “Protein-based materials: Applications, modification and molecular design” in *BioDesign Research Journal*.

Additionally, the six patents jointly developed by the Group and scientific research institutions and universities have been granted or are currently under acceptance by the relevant authorities.

QUALITY CONTROL

The Group strictly controls every production link to ensure its products are of the highest quality and comply with all applicable food safety requirements. The Group's production and manufacture of collagen sausage casings has passed the certification of ISO9001 Quality Management System, ISO22000 Food Safety Management System, ISO10012 Measurement Management System, ISO45001 Occupational Health and Safety Management System and ISO14001 Environmental Management System, and has obtained the Food Production Licence and the Filing of Export Food Manufacturers (出口食品生產企業備案證). The Group has also registered with the FDA in the United States for exporting of sausage casing products to Southeast Asia, Europe and the United States. In addition, the production of all the Group's sausage casing products has strictly complied with the national standards (GB14967–2015) and sausage casing manufacturing industry standards (SB/T10373–2012) of the PRC. In addition, the Group obtained the "SSPY International Halal Certificate" issued by ShaanXi Shang Pin Yuan Halal Food & Restaurant Management Co., Ltd (SSPY). All these certifications are the recognition of the Group as a trustworthy product supplier to its customers.

Guangxi Wuzhou Zhongguan Testing Technology Services Co., Ltd., a subsidiary of the Group, is able to examine over 600 indicators (the figure has been revised from over 800 in the Prior Year to over 600 in the Year due to the consolidation of certain items under the newly adjusted calculation method by the State Administration for Market Regulation), including physicochemical indicators such as heavy metals and microelements, pesticide residues, microorganisms and proteins, and continues to independently undertake third-party inspection assignments, provide various food and relevant product testing services and issue officially recognised testing reports, contribute external sales revenue. Such qualifications recognition is going to lay a solid foundation for the Group to develop into a high-end collagen raw materials base, thereby facilitating the healthy development of the Group's collagen food products, collagen skincare products and polymer collagen medical biomaterials in the grand health industry.

CUSTOMER RELATIONSHIP

The Group is committed to developing long-term cooperation relationships based on mutual trust with its business partners and has built a stable customer base. The Group has established its closely-knit yet extensive network of leading meat products processing and sausage manufacturers, not only for cooperation with enterprises in the PRC, but also with those in various overseas markets, such as Southeast Asia, South America and the United States. During the Year, the Group continued to supply high-quality sausage casing products to a number of renowned food suppliers in the PRC. On the basis of stabilising existing customers, the Group continued to solicit new customers and achieved favourable outcome.

SUPPLY OF RAW MATERIALS

Cattle inner skin is a major raw material for collagen sausage casing production. Since the second half of 2024, the supply of cattle inner skin has remained stable, showing a significant improvement as compared to 2022 and 2023.

Guangxi Zhiguan Industrial Development Co., Limited, one of the Group's major cattle inner skin providers, applied for the Food Production Licence under "the Measures for the Administration of Food Production Licensing" of the PRC and "Food Safety Law" of the PRC on a voluntary basis. The licence has been granted by Wuzhou Bureau for Administrative Examination and Approval with a valid period until October 2027.

FINANCIAL ANALYSIS

Revenue

Revenue increased by approximately 0.6% to approximately RMB1,023.3 million for the Year from approximately RMB1,016.8 million for the Prior Year. To release working capital and avoid further inventory write-offs and provisions, the Group implemented a strategy to boost sales volume with lower margin in the second half of the Year, striving to promote the sale of products manufactured using legacy processes and finished goods associated with trial production of new products and equipment transformations from previous years.

Cost of sales

Cost of sales increased by approximately 8.6% to approximately RMB918.5 million for the Year from approximately RMB845.7 million for the Prior Year, including the inventory write-offs and provisions of approximately RMB46.4 million, as compared to approximately RMB21.0 million for the Prior Year. The costs of raw materials for the Year increased by approximately 8.8% to approximately RMB415.1 million as compared with that of the Prior Year. In addition, the charges for energy increased by approximately 6.3% to approximately RMB183.7 million. The direct labor costs increased by approximately 8.7% to approximately RMB161.5 million.

The increase in inventory write-offs and provisions was primarily due to the large-scale product trial production and equipment transformations the Group undertook during the period from 2022 to 2024 to develop new products and install new production lines, and the finished goods inventory of such trial products had not yet been adequately absorbed by the market.

Gross profit

Gross profit decreased by approximately 38.8% to approximately RMB104.7 million for the Year from approximately RMB171.1 million for the Prior Year. Gross profit margin decreased to approximately 10.2% for the Year from approximately 16.8% for the Prior Year. Excluding inventory write-offs and provisions or reversals, gross profit margin decreased to approximately 14.8% for the Year from 18.9% for the Prior Year. In addition to the increase in inventory write-offs and provisions, as the sales of the six new product series to downstream customers significantly increased, the Group had to implement preferential policies to accelerate sales of products manufactured using legacy processes and finished goods associated with new product trial production from previous years, which led to a decline in gross profit margin.

Other income and gains, net

Other income and gains decreased by approximately 40.9% to approximately RMB34.1 million for the Year from approximately RMB57.7 million for the Prior Year.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 8.0% to approximately RMB30.8 million for the Year from approximately RMB33.5 million for the Prior Year. Selling and distribution expenses as a percentage of revenue decreased to approximately 3.0% for the Year from approximately 3.3% for the Prior Year.

Administrative expenses

Administrative expenses increased by approximately 0.5% to approximately RMB131.7 million for the Year from approximately RMB131.1 million for the Prior Year. Compared with the Prior Year, there were no significant fluctuations in administrative expenses for the Year.

Finance costs

Finance costs decreased by approximately 8.4% to approximately RMB6.7 million for the Year from approximately RMB7.3 million for the Prior Year.

Share of loss of an associate

At the end of 2024, the Group's net investment in an associate had been reduced to nil due to share of loss and impairment in the past. As a result, the Group ceased to recognise its share of loss from such associate during the Year, as compared to a share of loss of approximately RMB3.1 million for the Prior Year.

Impairment of trade, bills and other receivables

The Group recorded an impairment of trade, bills and other receivables of approximately RMB4.9 million for the Year, as compared to approximately RMB9.6 million for the Prior Year.

Income tax expense

Income tax expense was approximately RMB31.3 million for the Year, as compared to approximately RMB15.2 million for the Prior Year. Income tax expense for the Year was significantly higher than that for the Prior Year, mainly due to the adjustments in the Group's overall financial planning between the companies in the PRC and Hong Kong. One of the Hong Kong companies within the Group (the "HK Subsidiary") has already repaid all interest-bearing loans to another company in the PRC within the Group. The source of repayment funds for the HK Subsidiary came from dividends paid by one of its PRC subsidiaries, resulting in expenses and provisions for the PRC dividend withholding tax.

The Company's major operating subsidiary, Guangxi Shenguan Collagen Biological Group Co., Ltd. (廣西神冠膠原生物集團有限公司) ("Shenguan Collagen") enjoys a preferential tax treatment due to its location in western China and fall into the industry category encouraged by government policies. The applicable tax rate for Shenguan Collagen is 15%.

Profit attributable to non-controlling interests

The profit attributable to non-controlling interests for the Year was approximately RMB3.1 million, which mainly represented the total profit attributable to the non-controlling interests in all non-wholly owned subsidiaries.

Profit/(loss) attributable to owners of the parent

In light of the above, the Group recorded loss attributable to owners of the parent for the Year of approximately RMB69.8 million, as compared to profit attributable to owners of the parent for the Prior Year of approximately RMB26.7 million.

Liquidity and Capital Resources

Cash and bank borrowings

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks.

As at 31 December 2025, the cash and cash equivalents together with pledged and time deposits amounted to approximately RMB555.3 million, representing a decrease of approximately RMB91.0 million (as at 31 December 2024: approximately RMB646.3 million) as compared to that as at the end of 2024. Among these balances, approximately 88.2% was denominated in Renminbi, and the remaining was denominated in Hong Kong dollars, Singapore dollars and U.S. dollars.

As at 31 December 2025, the total bank borrowings of the Group amounted to approximately RMB400.2 million, increased by approximately RMB159.9 million (as at 31 December 2024: approximately RMB240.3 million) as compared to that as at the end of 2024, and all bank borrowings were wholly repayable within one year and denominated in Renminbi. All bank borrowings were unsecured, with fixed interest rates ranging from 1.0% to 2.2% per annum.

The Group was in a net cash position (cash and cash equivalents together with the pledged and time deposits less total bank borrowings) of approximately RMB155.1 million as at 31 December 2025, representing a decrease of approximately RMB250.9 million (as at 31 December 2024: approximately RMB406.0 million) as compared to that as at the end of 2024. The debt-to-equity ratio was 19.1% as at 31 December 2025 (as at 31 December 2024: 10.8%). The debt-to-equity ratio was calculated by dividing total bank borrowings and lease liabilities by total equity.

Cash flows

During the Year, the net cash outflows of approximately RMB88.5 million were used in operating activities. The net cash outflows from operating activities were primarily related to increase in inventories and PRC corporate income tax paid. The net cash inflows of approximately RMB81.6 million were generated from investing activities and the net cash inflows of approximately RMB30.8 million were generated from financing activities, respectively. The net cash inflows from investing activities were mainly attributable to the cash inflows from decrease in non-pledged time deposits with original maturity of more than three months when acquired, partly offset by the cash outflows from the acquisition of property, plant and equipment. The net cash inflows from financing activities were mainly attributable to the combined effects of the payment of the 2024 final dividend and repayment of bank borrowings and new bank borrowings.

Exposure to exchange risks

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. The assets and liabilities, and transactions arising from the operations are mainly denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the board (the “Board”) of directors (the “Directors”) of the Company believes that the future currency fluctuations will not have any material impact on the Group’s operations. The Group had not adopted any formal hedging policies.

Capital expenditure

The capital expenditure of the Group during the Year amounted to approximately RMB28.8 million, which was mainly used for expansion of production capacity and equipment transformations, and the capital commitments as at 31 December 2025 amounted to approximately RMB113.3 million, which were mainly related to the expansion, improvement and upgrades of production facilities.

The estimated capital expenditure of the Group for 2026 of approximately RMB120.0 million will be mainly used for the upgrade of high-quality collagen sausage casing production lines.

Pledge of assets

As at 31 December 2025, pledged bank deposits amounted to approximately RMB21.5 million in total.

Contingent liabilities

As at 31 December 2025, the Group was not aware of any material contingent liabilities.

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

The Group had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Events after the Year

There were no important events affecting the Group that have occurred since 31 December 2025 and up to the date of this announcement.

HUMAN RESOURCES

As at 31 December 2025, the Group employed a total of approximately 2,894 contract employees (as at 31 December 2024: 3,070). During the Year, the total remuneration and employees' benefit expenses charged to profit or loss were approximately RMB261.2 million (Prior Year: approximately RMB236.1 million). The Group is committed to enhancing automated production, increasing production volume while reducing reliance on manpower, in order to offset rising labor costs as much as possible.

PROSPECTS AND STRATEGIES

The Central Economic Work Conference has proposed that in 2026, China will implement more proactive fiscal policies and moderately easing monetary policies. The focus will be on boosting consumption, improving investment efficiency, and expanding domestic demand in all aspects. By leveraging technological innovation to drive the development of new quality productive forces, China aims to accelerate the construction of a modern industrial regime. These measures will create a favorable macroeconomic environment for the enterprise's stable development, quality improvement, and efficiency enhancement.

In light of the Group's actual circumstances, the overarching themes for production and operations in 2026 have anchored as "Ensuring Quality, Stabilising Production, Strengthening Management and Clarifying Responsibilities". Adhering to the general principle of seeking progress while maintaining stability, we will consolidate the development foundation and enhance operational quality and efficiency. Firstly, we will accelerate the construction of high-end S-series sausage casings production lines as well as the development of digital and intelligent capabilities to fill the gap in the high-end sausage casings market. Secondly, we will uphold quality first, stabilise the production processes and quality standards for the six collagen sausage casings series, namely "fried", "crispy", "fresh", "tender", "bright" and "colorful", and strengthen quality management and control throughout the entire process to ensure continuous and stable improvement in product quality. Thirdly, we will maintain smooth and orderly production organisation, strengthen the security of raw material supply and production plan management, enhance the maintenance of existing equipment, improve integrity rate and operational efficiency, thereby ensuring the stable unfolding of production capacity.

To ensure our sustainable development, since the "13th Five-Year Plan", the Group has consistently leveraged our core collagen technology as a engine to actively develop a diversified innovative application system. Among the numerous innovative achievements, collagen compound ingredients have demonstrated exceptional market prospects and represent a key project that is recently commercialised by the Group. The research and development, production, and sales of the product are highly synergistic with the Group's existing equipment assets, technological reserves, and matured market channels. This kind of "converting existing resources into incremental value" model has not only significantly reduced the investment costs and trial-and-error risks of new business, but also drastically shortens the market response cycle, further solidifying the Company's core competitive barriers.

With the comprehensive awakening of national health awareness and the structural upgrading of consumer demand, clean labels have become mainstream, and regulatory measures have been further strengthened. The food production sector, including the meat products industry, is undergoing profound changes:

At the regulatory level, laws and regulations such as the National Food Safety Standard – General Standard for the Labeling of Prepackaged Foods (《食品安全國家標準預包裝食品標籤通則》), the Standard for the Use of Food Additives (《食品添加劑使用標準》) and the Measures for the Supervision and Administration of Food Labeling (《食品標識監督管理辦法》) have imposed stringent requirements on the labeling and production management of meat products. The General Quality Standard for Ham Sausages (《火腿腸質量通則》) (GB/T 20712), which was formally implemented in 2024, has further regulated product names (single-ingredient naming, mixed-ingredient naming, flavour labeling) through definitions, grading, and naming rules, establishing a unified standard for the production and quality evaluation of ham sausage products.

Meanwhile, the molecular biomarker analysis system established by the state for processed meat foods, especially the successive introduction of national standards for detection methods of animal-derived ingredients such as Rapid Determination of Common Animal-Derived Ingredients- Microarray Chip Method (《常見動物源性成分快速測定-膜芯片法》) and Detection Method for Common Livestock and Poultry-Derived Ingredients – Real-Time Fluorescent PCR Method (《常見畜禽動物源性成分檢測方法實時熒光PCR法》), can effectively detect the authentic components of meat products including sausages, and the detection stability and accuracy are not easily affected by food processing methods. Currently, the state is actively formulating and promoting method standards capable of simultaneously detecting multiple animal-derived ingredients. For example, the national standard under development, Multiplex RT-PCR Melting Curve Method for Simultaneous Detection of Porcine, Bovine, Chicken, and Duck-Derived Ingredients in Livestock and Poultry Meat (《畜禽肉中豬、牛、雞、鴨源性成分同步檢測多重RT-PCR熔解曲線法》), can identify four common meat ingredients in a single reaction, laying the foundation for quickly and precisely combating adulteration and fraud in meat products, thereby effectively safeguarding food safety. The introduction of these standards and regulatory measures, as well as the development trend of clean labels, have created favorable market opportunities for the Group's collagen compound ingredients products, which feature low fat, high protein and good functional properties, to rapidly enter the market of sausage compound ingredients. Leveraging the Group's over 40 years of accumulated food production technology, food safety management foundation and capabilities, combined with the regional advantage of Guangxi as a source of characteristic spices, the Group possesses a solid foundation and unique strengths for carrying out the research, development and production of collagen compound ingredients products for the sausage industry. Furthermore, fully utilizing the Group's existing food sales channels will help the Group rapidly expand the sales scale, with promising development prospects.

For the polymer collagen medical biomaterials industry, the Group will leverage cutting-edge collagen biotechnology to serve mankind and conduct more extensive and in-depth research on medical collagen application technology. With the output, quality, and sales of medical collagen raw materials steadily improving, the Group plans to undertake the following initiatives in 2026: continue advancing the production and sales of medical collagen raw materials; continue advancing the application for the Class III medical device production licence for collagen bone filling biomaterials (artificial bone); make thorough preparations for the application of dental medical collagen sponge; and sustain the advancement of research and development and pre-clinical preparations for other polymer collagen medical biomaterials.

Finally, the team of the Company will continue to endeavour and speed up the growth of the grand health industry of Shenguan, further broaden the application of collagen technology, and develop more products in the collagen industry chain for the market, so as to generate better returns on investment for the shareholders of the Company (the “Shareholders”).

OTHER INFORMATION

Results and Dividends

The Group’s loss for the Year and the Group’s financial position at that date are set out in the financial statements of this announcement.

In view of the financial position, capital expenditure to be incurred by the Group and market expansion in the foreseeable future, the Directors do not recommend the payment of final dividend for the Year (2024: a final dividend of HK2.0 cents per ordinary share and a special final dividend of HK2.0 cents per ordinary share).

Closure of Register of Members

For the purposes of determining the Shareholders’ eligibility to attend and vote at the forthcoming annual general meeting to be held on 5 June 2026 (Friday), the register of members of the Company will be closed from 2 June 2026 (Tuesday) to 5 June 2026 (Friday), both days inclusive. The record date for determining the eligibility of the Shareholders to attend and vote at the annual general meeting will be 5 June 2026 (Friday). In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 1 June 2026 (Monday), being the last share registration date.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Model Code Set out in Appendix C3 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules on the Stock Exchange as its own code of conduct regarding Directors’ securities transactions. The Company has also adopted the Model Code for the members of senior management of the Group.

The Company has made specific enquiry with all the Directors and all the Directors have confirmed that they had complied with the Model Code during the Year. Moreover, no incident of non-compliance of the Model Code by the senior management was noted by the Company during the Year.

Corporate Governance Code

The Company’s corporate governance practices for the Year are based on the code provisions set out in the Corporate Governance Code (the “Code“) contained in Appendix C1 to the Listing Rules.

Save as disclosed below, the Board considered that the Company had complied with all the code provisions set out in the Code during the Year.

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Zhou Yaxian, who acts as the chairman (the “Chairman“) and the president of the Company, is also responsible for overseeing the general operations of the Group. The Company has not appointed any chief executive officer and the daily operations of the Group are delegated to other executive Directors, the management and various department heads. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with code provision C.2.1 of the Code and will continue to consider the feasibility of appointing the chief executive. The Company will make timely announcement if the chief executive has been appointed.

The duties of the Chairman include:

- (i) ensuring that all Directors are properly briefed on issues arising at Board meetings;
- (ii) ensuring that Directors receive, in a timely manner, adequate information which is accurate, clear, complete and reliable;

- (iii) provide leadership to the Board;
- (iv) ensuring that the Board works effectively, performs its responsibilities, and that all key and appropriate issues are discussed in a timely manner; and
- (v) ensuring that good corporate governance practices and procedures are established.

The Chairman takes the lead in ensuring that the Board makes a full and active contribution to the Board's affairs and acts in the best interests of the Company. The Chairman also ensures that there is effective communication with the Shareholders and that their views are communicated to the Board as a whole. The Chairman meets at least annually with the independent non-executive Directors without the presence of the other Directors.

Audit Committee

The Audit Committee had reviewed the consolidated annual results of the Group for the Year and considered that the Company had complied with all applicable laws, accounting standards and requirements, and had made adequate disclosure.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary announcement.

By order of the Board
Shenguan Holdings (Group) Limited
Zhou Yaxian
Chairman

Hong Kong, 30 March 2026

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Sha Junqi, Mr. Mo Yunxi, and Mr. Li Chenglin; the non-executive Director is Dato' Sri Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Zhou Xiaoxiong.