五谷磨房

五谷磨房食品國際控股有限公司
Natural Food International Holding Limited

Stock Code: 1837

2025 | ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(Registered by way of continuation in the Cayman Islands with limited liability)

Contents

About the Report	2
Operating Practices	14
Employment Practices	23
Environmental Performance	27
Social Key Performance Indicators	29
Environmental Key Performance Indicators	31

About the Report

OUR VISION FOR SUSTAINABILITY

Natural Food International Holding Limited (Stock Code: 1837.HK, hereinafter "the Company" or together with its subsidiaries "the Group") has been listed on the Main Board of the Hong Kong Stock Exchange since 2018. The Group specializes in the producing, processing, and distributing of natural health foods, primarily serving the PRC market. Our mission is to provide affordable, high-quality health food solutions through integrated production services, while investing in employee development, creating shareholder value, and promoting sustainable socio-economic and environmental practices.

REPORTING FRAMEWORK

We are pleased to issue our Environmental, Social and Governance ("ESG") Report for the year ended 31 December 2025, covering our headquarters and major production facility in Tuanfeng county, Hubei. The report is prepared in accordance with Appendix C2 of the Listing Rules on a "comply or explain" basis. For Part D climate-related disclosures, the Group applies the "comply or explain" principle. We currently follow the TCFD framework to manage climate-related risks and opportunities and have not yet adopted the bold and italic terms defined in IFRS S2 Appendix A. For the reporting period, certain quantitative disclosures required under Part D (paragraphs 30, 31, 33 and 36) have not been made, as robust measurement methodologies and internal data collection systems are still under development. The Group has applied the Reasonable Information Relief for these items. We have referred to the TCFD framework and HKEX's implementation guidance in preparing our climate disclosures. We acknowledge that the HKEX's New Climate Requirements are aligned with IFRS S2 and will continue to assess the feasibility of transitioning to full IFRS S2 alignment, with a formal work plan including specific milestones expected to be established within the next two reporting cycles.

The report focuses on the activities implemented during fiscal year of 2025 ("the reporting period").

Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders' opinions, assessing the relevance and materiality of the issues and preparing and validating the information reported. The ESG Report has covered key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so as to enable stakeholders to comprehend the Group's ESG performance. Information of the standards, methodologies, references and sources of key emission of these KPIs are stated wherever appropriate. To enhance comparability of the ESG performance between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies, the Group has presented and explained in detail in the corresponding sections.

About the Report (Continued)

Information and Feedbacks

We value your feedback on this report and our sustainability plan. Should you have any comments and suggestions, please feel free to contact us by email to ir@szwgmf.com.

BOARD'S OVERSIGHT OF ESG

The Board of Directors has the overall responsibility for ESG strategy, materiality assessment, initiatives, policy and reporting of the Group. Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. The concept of sustainability is composed of three major pillars: economic, environmental and social. It is integrated in our operation as profits, environment and people. We have instilled in our employees the sustainability notion which has become an integral part of our manufacturing and operational activities, seeing to deliver profit and environmental & social benefits in a continuous and synergistic manner.

The Board oversees the ESG Working Group's assessment of sustainability targets and climate-related risks and opportunities, receiving regular updates on progress. To strengthen internal capabilities, the Group provides continuous training and capacity-building programs to up-skill employees in sustainability management and climate-related risk assessment.

The Board

- Assessing if the Company establishes appropriate risk management
- Approving ESG report

The Audit Committee

- Assessing if appropriate ESG strategies are set
- Reviewing ESG risks and corresponding internal monitoring system are fit
- Reviewing ESG report

ESG Working Group

- Composed of Functional departments and External advisor
- Formulating ESG vision and strategy
- Identifying and determining material ESG issues
- Performing ESG risk assessment and corresponding control
- Formulating and updating ESG policies

About the Report (Continued)

To implement the ESG initiative and formulate our sustainability strategy, the Group has established a working group which comprises of senior management and external advisor with sufficient ESG knowledge, and the authority to promote a company-wide awareness of the importance of the Company's ESG efforts. The members span across various functional departments, including the operational, human resources, and finance departments, aiming to ensure that the environmental and social responsibility considerations are integrated into our daily management decision as well as daily operation. The ESG Working Group is also responsible for executing our ESG initiatives, collecting and calculating ESG data and Key Performance Index ("KPI") and reporting of ESG-related matters across our major businesses and operations.

During the year, the ESG Working Group held two meetings covering the following agenda:

- Overview of sustainability issues and progress updates from each division of the Group
- Assessment of our 2024 ESG performance and drafting the framework for our 2025 ESG report
- Review of stakeholder feedback
- Climate-related strategy and updates to related policies
- Formulation of sectoral decarbonization targets
- Identification and evaluation of possible climate risk factors

The Group did not make any material changes to its processes for identifying, assessing, prioritising or monitoring climate-related risks during the reporting period compared with the previous reporting period. The same methodologies applied in 2024 were continued in 2025.

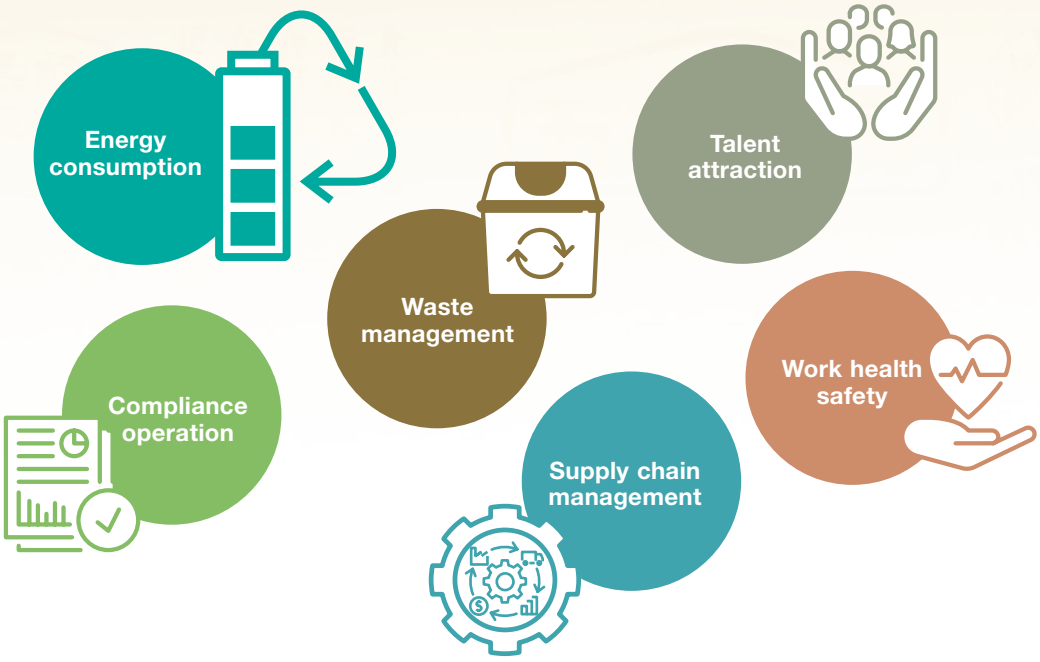
Stakeholder Engagement

Stakeholder engagement is an incubator of our sustainable development plan, which is also an important step to gather valuable ideas about ESG issues for materiality assessment in order to sharpen the focus of our sustainability strategy. In preparing our ESG report, we have primarily engaged major stakeholders through a number of channels. We believe that trust is built on effective communication. Ongoing interaction with stakeholders is an integral part of our day-to-day operations and marketing campaign across the country. Our communication channels such as comments left in our social platform, meetings, interviews, and promotion booths enable stakeholders to express their ideas, opinions and suggestions. Our identified stakeholders include investors, employees, customers, suppliers, business partners, media, government agencies, regulators and the community. In view of materiality analysis, we have identified for a materiality matrix four key topics with sixteen aspects which become the basic elements in formulating our sustainability plan.

About the Report (Continued)

SUSTAINABILITY MATERIALITY ASSESSMENT

A list of sustainability topics is identified which are potentially material to our Group in the context of our business and day-to-day operations. The materiality assessment and prioritization are summarized in the below:



About the Report (Continued)

Climate Change Mitigation and Adaptation

The Group recognises that a changing climate presents both risks and opportunities for our business, particularly in relation to raw material sourcing and supply chain stability. We are committed to proactively mitigating our environmental impact and enhancing our climate resilience. With reference to the TCFD framework, we have implemented a Climate-Related Risk Management Policy to monitor and manage these risks effectively.

Climate Risk Identification and Management

We have strengthened our climate resilience by systematically integrating climate considerations into strategic planning. This multi-faceted approach enhances the identification and assessment of climate-related risks and opportunities across our corporate functions, business units, and operational sites—from procurement and production to logistics and distribution.

Climate scenario analysis enables a robust assessment of potential climate pathways and their implications for our suppliers and sourcing portfolio, supporting the formulation of our climate strategies. During the reporting period, the Group's climate scenario analysis was limited to qualitative IPCC_aligned frameworks, focusing on directional impacts (e.g., temperature extremes and flooding) on crop yields and supply chain continuity. A diverse range of scenarios (including lower_carbon and higher_emission pathways) has not yet been applied, nor have key assumptions been quantified. The relevance of the chosen IPCC_aligned scenarios is implicit in the Group's business model, where raw material sourcing (particularly black sesame and walnuts) is directly exposed to climate_related physical risks. The Group intends to expand its scenario analysis and develop quantitative assumptions in future reporting cycles as its data collection and analytical capabilities mature.

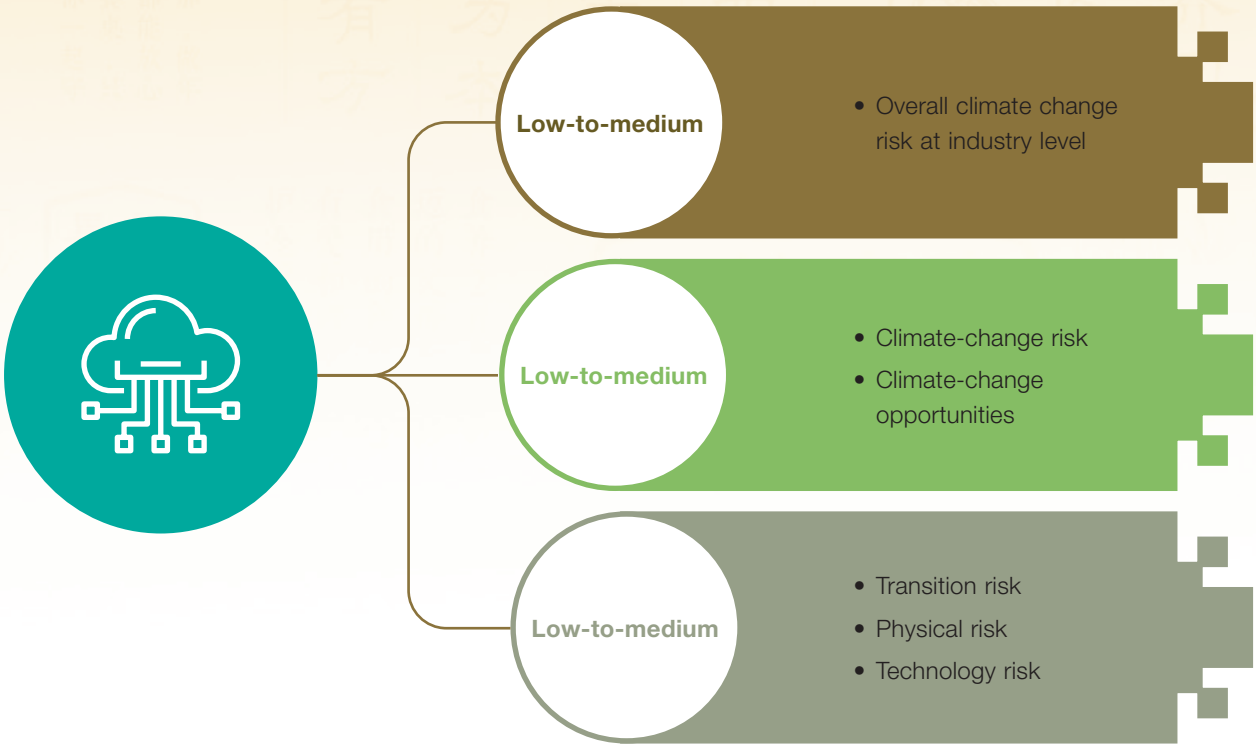
The Company takes reference to the recommendations and approach set out by The Task Force of Climate-related Financial Disclosure ("TCFD") in assessing the climate changes impacts on the Group. We have assessed a series of risks, including:

1. Transition risks that may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change in the course of Transitioning to a lower-carbon economy. There are four sub-risks, namely Policy and Legal Risks, Technology Risk, Market Risk and Reputation Risk.

2. Physical risks that may have financial implications for the Group, such as direct damage to assets and indirect impacts from supply chain disruption, which can be driven by acute events ("Acute Events") or longer-term chronic shifts ("Chronic Shift") in climate patterns.

Based on the on-going assessment of the Company, the Company believes the Group is subject to lower physical risk, particularly those driven by acute events. The overall risk-rating of climate-change-related risks and opportunities of the Group is considered low.

About the Report (Continued)



The following table summarises the climate-related risks and opportunities faced by the Group across the time horizons of short-term (1-3 years), medium-term (4-5 years) and long-term (beyond 5 years).

Risk variables	Description	Impact Time Horizon	Current and anticipated financial implication
Transition risk			
Temperature extremes	Increase frequency and intensity of temperature extremes and heatwaves	Short term	Increase in operational cost due to fluctuation of supply quality, quantity and price
Flooding and strong wind	Flooding driven by extreme precipitation of natural water-flow networks within the basin, resulting in infrastructure damage and threads to life	Short term	Decrease in revenue due to temporary closures or reduced operational capacity during and immediately after acute events.

About the Report (Continued)

Risk variables	Description	Impact Time Horizon	Current and anticipated financial implication
Shifting preference in market and customer	Talent attraction and retention of staff interested in sustainable practices	Short term	Increase in human resources cost and resources for recruitment and onboarding Business operational disruptions from productivity decline and potential loss of business opportunities.
	Risking stakeholders' expectations and customer preferences in the transition to a lower-carbon economy	Medium to long term	Higher cost of capital in developing green products and climate related green supply chain system
Technology development	Growing trends of technology investment in the transition to a lower-carbon economy	Medium to long term	Revenue decline if it does not keep pace with industry peers in adopting new technologies and enhancing supply chain and delivery performance
Opportunities			
Products and services	Develop sustainable healthy products to enhance competitiveness	Short/medium term	Increase revenue and enhance market share in healthy food market
Resillience	Enhance the development of adaptive capacity to respond to climate change to better manage the associated risks and seize opportunities	Medium/long term	Reduce operating cost of unplanned downtime from better risk management
Resources efficiency	Improve resource efficiency across the business operation	Short/medium term	Decrease in operating cost from improving efficiency and waste management

Risk variables	Description	Impact Time Horizon	Current and anticipated financial implication
Energy sources	Shift energy consumption to low-emission sources, leading to potential savings on emission	Medium/long term	Increase efficiency from step by step refine our supply chain and major suppliers

Climate Strategy and Decision-making

We systematically measure and manage climate-related risks while reducing emissions from our operations and supply chain. In line with our commitment to sustainable development, our climate strategy is designed to balance the Group's contribution to and exposure from climate-related risks. The Board's strategic direction is implemented organisation-wide through four key pillars:

- **Sustainable Sourcing**: Accelerating the transition to a sustainable supply chain by supporting climate-friendly practices among suppliers, including renewable energy adoption and real-time traceability systems.
- **Value Protection**: Building resilience to physical climate risks affecting our production premises, warehouses, and other operational assets.
- **Emission Reduction**: Reducing direct operational emissions while working with key suppliers to lower the carbon footprint of sourced materials.
- **Risk Management**: Identifying and assessing climate risks and embedding them into our enterprise risk management practices and governance framework.

The actions for risk mitigation/adaptation and opportunity capitalisation are formulated surrounding the strategic objectives, and the current and anticipated financial implications across multiple time horizons are provided as below.

Strategic objective	Current and anticipated financial implication	Impact time horizon	Opportunity capitalization
Risk Management	Improve portfolio risk profile Increase in system investment outflows but reduce loss payouts	Short/medium term	Expand the climate impact assessment to a boarder range of risk and opportunity types

Strategic objective	Current and anticipated financial implication	Impact time horizon	Opportunity capitalization
Emission reduction	Enhance production equipment value from stranding risks Enhance corporation with major suppliers to improve efficiency	Continuous	Undertake energy efficiency measures and practices Enhance Scope 3 emission management
Value protecting	Increase asset resilience value Enhance supply chain stability	Continuous	Diversify aspects in staff training and include emergency response procedures
Sustainable sourcing	Higher sourcing cost from sustainable suppliers with higher quality materials.	Short/medium term	Leverage traceability data to create verified "climate-friendly' product lines, commanding premium pricing
	Reduced exposure to supply chain disruptions from climate-affected regions through supplier diversification	Short/medium term	Optimize procurement planning, reduce waste, and improve inventory turnover

To ensure effective execution, the Group is developing a robust transition plan supported by a comprehensive implementation framework that aligns internal resources and processes. Our implementation plan focuses on the following five key areas:

- **Enhancing organisational structure and processes:** Strengthening cross-unit coordination to embed climate considerations into daily operations, from procurement and production to logistics and sales.
- **Integrating climate considerations into remuneration:** Aligning our compensation framework with ESG objectives by incorporating climate-related performance metrics into relevant roles, reinforcing accountability and incentivising progress.

- **Ensuring resource allocation and vendor assessment:** Dedicating sufficient financial and non-financial resources to support climate initiatives, while conducting enhanced assessments of suppliers to ensure alignment with our sustainability goals.

- **Strengthening data collection systems:** Improving our ability to track, measure, and report climate-related data across the supply chain, including raw material sourcing, energy consumption, and supplier emissions.

- **Building supply chain resilience:** Diversifying sourcing origins and supplier base to mitigate climate-related risks to crop quality and quantity, ensuring long-term stability in raw material supply.

Risk and Opportunity Quantification

The Group has measured the percentage of its assets vulnerable to physical climate risks. The Group has not separately identified or described the significant areas of uncertainty considered in its assessment of climate resilience during the reporting period. As the Group is still in the early stages of developing robust measurement methodologies, the primary uncertainty relates to the timing and magnitude of potential climate-related impacts on agricultural raw material supply chains. The Group will revisit this disclosure once the related assessment framework matures. In accordance with the HKEX ESG Reporting Code, we have applied the Reasonable Information Relief for the quantification of assets vulnerable to transition risk, as the development of a robust measurement methodology is ongoing. We expect to provide this disclosure in future reports once the methodology is finalized. This work will support more robust climate-related scenario analysis and inform our long-term strategic planning. Regarding assets aligned with climate-related opportunities, we are currently defining the scope and metrics for such alignment. We have therefore applied the Reasonable Information Relief for this disclosure and will report on it as our methodology matures.

Climate-Related Investments

To enhance the transparency of our climate-related financial planning, the Group is developing a robust methodology to enable accurate disclosure of climate-related investments in future reports. These investments may include capital expenditure on energy-efficient equipment, sustainable sourcing initiatives, and supply chain resilience measures. As we are still developing the internal tracking systems to separately identify climate-related capital expenditure, we have applied the Reasonable Information Relief for this disclosure. We aim to provide quantitative information once our data collection processes are sufficiently refined.

Remuneration Alignment

The Group is actively working to align its remuneration policy and practices with its climate strategy. Climate-related considerations are being integrated into the compensation framework, including embedding climate-related risk considerations into performance scorecards and evaluation systems for relevant roles. Progress on this integration will be reported as implementation advances.

Performance Monitoring and Targets

The Group is currently developing feasible, specific, and measurable climate-related targets aligned with our strategic planning horizons. Our approach includes:

– selecting appropriate baseline years,

– establishing interim milestones, and

– defining the scope of emissions and other climate metrics to be covered

Targets will be designed to address our most significant climate-related risks and opportunities, with particular emphasis on supply chain resilience such as sourcing of key ingredients such as black sesame and walnuts, and operational efficiency. Progress against these targets will be monitored by the ESG Executive Group to ensure continuous oversight. In line with the HKEX ESG Reporting Code, we have applied the Reasonable Information Relief for quantitative climate-related targets. We are establishing our baseline emissions and assessing feasibility. A formal target proposal is expected within the next two reporting cycles subject to stable market conditions.

The Group has not quantified the expected changes to its financial position, financial performance or cash flows over the short, medium and long-term arising from its strategy to manage climate-related risks and opportunities. The Group is currently in the early stages of climate-related financial planning, and the development of robust methodologies to quantify such expected financial effects is ongoing. As at the date of this report, the Group has not identified any climate-related risks expected to materially impact its financial statements in the upcoming period. Accordingly, no respective quantitative disclosures are provided in this reporting period. The Group will continue to enhance its climate-related financial analysis and expects to provide such disclosures in future reporting cycles as its methodologies mature.

The Group has not separately identified or disclosed its planned sources of funding to implement its climate-related strategy. Currently, climate initiatives are funded through the Group's general working capital and operational cash flows. The Group will consider more specific funding disclosures (including capital allocation and financing arrangements) in future reporting cycles as its climate transition plan matures.

As at the date of this report, the Group has not identified any climate-related risks expected to materially impact its financial statements in the upcoming period.

About the Report (Continued)

Internal Carbon Pricing and Carbon Markets

The Group has not yet established an internal carbon pricing mechanism; however, we are actively monitoring carbon-related regulations and market trends to evaluate its potential relevance to our future approach and long-term strategy.

Regarding carbon markets, the Group does not currently participate in carbon credit trading or carbon offset programs. We actively monitor market developments and regulatory trends, and are evaluating the potential role of high-quality carbon credits as a complementary tool within our broader decarbonisation strategy.

Operating Practices

SUPPLY CHAIN MANAGEMENT



As a natural health food company in China market, we source raw materials both domestically and internationally. We recognise the quality of raw materials directly affects both our production processes and the final products we deliver to customers.

We are committed to minimising environmental impact across the supply chain. To this end, we work closely with packaging suppliers to optimise packaging design, explore sustainable materials, improve resource efficiency, and promote product recycling within our customer loyalty groups. By prioritising sustainable suppliers and environmentally friendly raw materials, we aim to drive the green transformation of our supply chain and ensure full compliance with environmental standards and regulations.

Robust supply chain oversight is maintained through a suite of management policies, including supplier development programmes, certification requirements, and site visit guidelines. Supplier assessments typically involve on-site audits, sample testing, and licence verification.

A systematic and efficient supply chain is fundamental to the stability of our production and operations. We are committed to delivering the highest quality products and services to our customers. To this end, we strictly enforce our "Supplier Quality Management Manual" and "Food Fraud Prevention and Control Procedures" across all suppliers. Supplier integrity is incorporated into our credit assessment and formally reflected in supply and marketing contracts, helping to safeguard the safety and quality of raw materials. Regular reviews are conducted to ensure that all suppliers and business partners meet product standards as well as applicable safety and regulatory requirements.

The frequency of supplier quality audits—whether semi-annual, annual, or more frequent—is determined by factors such as material risk level, supplier site risk, supply quality performance, and material importance. For qualified suppliers of high-volume or critical materials, we inspect incoming goods on a batch-by-batch basis and conduct an annual on-site audit.

In addition to working with established suppliers, we source agricultural products directly from farmers and agricultural cooperatives. Most of these purchases are arranged through cooperatives or via joint contracts with partner companies to ensure quality assurance and traceability. All agricultural suppliers must hold government-issued licences, and all products sold must be lawfully imported and handled in accordance with applicable regulations.

Our quality and research and development departments collaborate to establish acceptance standards for raw and auxiliary materials. Upon delivery to our facilities, quality control personnel take batch samples for testing and report findings in line with these standards. Any raw materials found to be non-compliant are generally returned.

The Group offers four product categories encompassing more than 90 product types. Automated management systems are deployed to strengthen quality assurance and traceability throughout the supply chain, as well as to uphold food safety standards. Supported by a robust technology infrastructure and stringent quality control measures, the Group has successfully expanded its sales network across China by consistently delivering high-quality products.

Operating Practices (Continued)

SUPPLY CHAIN MANAGEMENT (Continued)

To enhance our efficiency and manage operational and compliance risks, the Group engages logistics providers to handle product transportation. Our products are delivered by trucks from our production facilities to customers' warehouses or designated locations through this integrated system. Third-party logistic service providers are required to handle products with extra care during transportation to protect their labels and prevent damage to their packaging. They must also ensure that all containers tools, and equipment used for storage and transportation remain safe, clean, and fit for purpose. It is to prevent contamination and maintain necessary conditions such as temperature control for food safety. We regularly review our logistic service providers' operational and compliance performance. Providers remain liable for any damage or loss during transportation.

PRODUCT QUALITY MANAGEMENT



We believe a systematic, consistent and well-regulated production process is the key to improve product quality.

Our procurement department purchases raw materials from accredited suppliers according to our quality standards and reliability assessment, ensuring that all necessary inspection reports and production licences are valid and available. The Group has developed a procurement management system to conduct assessment, selection, review and appraisal of its suppliers. Suppliers and subcontractors are evaluated on the basis of background, pricing, service quality, reputation, after-sales support, and capacity to guarantee stable and adequate supply. Only those suppliers whose review and appraisal results confirm their ability to meet the Group's material quality requirements are qualified.

The Group requires raw materials suppliers to possess valid business licenses, related food production licenses in compliance with the related quality, hygiene and sanitary regulations. Submitting corresponding independent third-party assurance report and/or the results of laboratory tests of their products are also required during inception or when requested.

Stringent guidelines on inspection, sampling, specifications, and testing requirements are set up. Employees are required to follow guidelines throughout the process before accepting incoming raw materials. It is required to return sub-standard raw materials.

Food material supply is critical to our business and operations.

The Group manages supply risks—including those related to climate change, harvest yields, pricing, quality, and transportation—by maintaining a diversified supplier base for each major category of key raw materials. During the reporting period, 33 suppliers (2024: 31) accounted for more than 60% of our annual raw material purchase costs. With the exception of milk powder, which is imported from New Zealand, all raw materials used in our products are sourced from within China.

To mitigate climate-related risks to our supply chain, we are embedding climate risk factors into our core supplier selection and diversification strategy. This approach aims to reduce the impact of climate change on crop quality and quantity, while minimizing the long-term effect on our financial budget. During the reporting period, we have carefully onboarded new suppliers from new geographical sources to enhance supply chain resilience.

Operating Practices (Continued)

INTELLECTUAL PROPERTIES



We are constantly engaged in marketing and branding of our products through various advertising platforms including in-store displays, social media, outdoor sampling and events sponsorship. It is our policy to advertise our products and brands in a fair manner and without misleading information.

We own more than 287 registered intellectual properties, including copyrights, patents and trademarks. In the reporting period, we have taken confidentially measures and legal actions as to protect our intellectual properties.

During the year, our internal legal specialist took four legal actions against four companies for infringement of our trademarks "益元八珍" and "五谷伴侶"。Later, the four infringers were found to be infringers by the court and ordered to stop the infringement.

As for our labelling activities, we require our customers to provide us with all necessary information pertaining to packaging and labelling with respect to local requirements within the stipulated territory.

PRODUCT SAFETY



The Group has always paid high attention to food safety. We strive to meet all relevant national food safety laws and regulations and standards to ensure that our products are safe and of quality. All our production facilities obtain SC Food Production Licenses issued by Food and Drug Administration. We are also certified to FSSC 22000 Food Safety System. The Group is fully in line with local and international standards which entrust our quality control system and production process.

Hazard analysis critical control point (HACCP) standard applied to assess and monitor biological, physical and chemical risks. Patented machine grinding and double-pass grinding process are applied in our production process to limit contamination.

We carry out comprehensive inspection and tests in the whole production process by our quality control department. We aim to provide an efficient and safe operation and zero food contamination. For instance, we inspect the final quality control of the product process before our product is delivered for sale. Besides, our automated production line makes much of the process pollution-free to produce healthy and safe healthy food. All must wear neat uniforms before entering the production area and undergo disinfection as required. Both our production facilities and warehouses have installed pest control equipment to ensure these areas are well ventilated.

Finished products are properly packaged and stored in designated zones. Warehouse staff are required to store finished products appropriately according to the storage period and conditions, regularly inspect their appearance and shelf-life, and prevent fire, moisture, water, mold and leakage. Handling staff is required to keep all containers, tools and equipment used for storage, transportation and containing of food safe, harmless and clean so as to prevent food contamination and ensure meeting specific requirements like temperature for food safety.

Operating Practices (Continued)

PRODUCT SAFETY (Continued)

Conduct hazard analysis	• Identify any possible food safety hazard (biological, chemical or physical agent in food) • Collect and evaluate sample collected daily from operation
Lists of critical control points (CCPs)	• Control at particular step where necessary for food safety • Step eliminates or reduces the likely occurrence of possible hazard to an acceptable level • Contamination with the hazard identified could occur in excess of acceptable level
Validated critical limits for each CCP	• Criteria set as measurements of time, temperature, humidity, water activity and pH value and sensory parameters such as visual appearance and texture.
Monitoring system for each CCP	• Quality control department are responsible for monitoring procedure set are clearly identified and enacted by adequately trained personnel to carry out.
Corrective actions	• Plant management is set and determine corrective action in advance to ensure that the actions are able to bring the CCP under control. Actions taken include disposition of the affected products in a legal and proper way.

Operating Practices (Continued)

PRODUCT RECALL MANAGEMENT



The Group has established and implemented the Product Identification and Traceability Control Procedures. The Group has implemented full batch management for each product item entering and leaving the warehouse, by which each batch is traceable.

In our product recall procedure, which include clear provisions for the preparation for recall plans, the implementation of recall activity, the disposal of recalled products, and corrective measures. In addition, the food safety team of each member of the Group regularly conducts mock tracing to enhance staff awareness of food safety risks and product recall operation procedures.

In the reporting period, we did not have product recall case (2024: zero). We have standard product recall procedure includes conduct comprehensive investigation, promptly report the incident to the Senior Management, systematic recalled and destroyed the affected products, and implemented measures to prevent future occurrence of similar issues.

Establish a product recall emergency team

The team members come from the quality control department, planning warehousing and distribution department, production department, equipment department, and personnel administration department. The responsibilities of the product recall emergency team members are clearly defined.

Assess and evaluate information

According to procedure <WGMF-QA-RE-010> assess information either from customer or internal quality control officer that certain batch of product may lead to recalls due to unqualified or contamination during random inspections or complaints, etc.

Recall procedure

Follow procedure <HBFY-QA-14> When it is discovered that the product will cause harm to consumers, a recall application will be submitted, and the team will evaluate and confirm whether to recall it.

Regard to <HBFY-QA-13> all shipment and sale of the problematic products will be stopped. Products already sold will be recalled and the recalled products will be sealed.

Operating Practices (Continued)

CUSTOMER SERVICE



We aim to provide a superior service experience to our customers. In order to improve our business, we perform customer service evaluations regularly. For online channels, we continue to strengthen process management. While providing consumers services through our WeChat public account, and customer hotline, we also improve our ability to collect and handle customer feedback.

The Group places great importance on all customer feedback and complaints. Our customer service team follows an internal policy that promotes real-time response to product complaints, enabling us to take necessary precautions and prevent recurrence of similar issues.

Customers can reach us primarily through three channels: the corporate "400" hotline for quality-related feedback, e-commerce customer service platforms, and in-person consultations with nutrition advisors at our counters. All feedback received through these channels is then directed to the customer service specialists within the quality department.

During the reporting period, the Group received a total of 1,750 customer feedback entries across these three channels. Of these, 709 were inquiries regarding product taste and texture, 535 were complaints related to product packaging, and 315 concerned the presence of foreign objects.

In response to valid complaints received, we proactively worked with customers to reach reasonable compensation arrangements, primarily through product returns or exchanges. The Group did not experience any large-scale product returns or recall incidents during the year, nor was it involved in any product-related or sales-related legal disputes.

We set out policy in compliance of goods and services with the Consumer Protection Law and Product Quality Law of PRC. We attach great importance to customer information security and privacy protection. We implement a set of corresponding customer privacy protection measures to strictly safeguard the personal information of each customer. We prohibit unwarranted sharing of screenshot and revealing of personal privacy. Specific personnel are also assigned to file and archive customer information while unauthorized access is prohibited.

In a responsible manner to consumers, the Group has established stricter guidelines, to ensure the sales and marketing departments of the Group provide precise product descriptions and information that comply with the relevant local laws and regulations to the customers. For instance, we perform a comprehensive review of existing product labels, have joint departmental approval on upcoming items, engage external professionals to provide professional opinion, reference to external laboratory inspection results, and conduct periodic review current practice with industry norm and regulations update.

Operating Practices (Continued)

Encrypt sensitive data

- Standardized encryption software and backends



Cyber security environment

- Internal operating system and security settings
- Different user has different access right



Confidentiality agreement

- "Outsourcing Service Contract" with external service providers and agree on confidentiality clauses



Operating Practices (Continued)

ANTI-CORRUPTION & WHISTLE-BLOWING PRACTICE



The Group recognises that staff integrity is fundamental to ethical and lawful business conduct. We have established internal controls, clear authorisation limits, and segregation of duties across key processes. The finance department's senior management is responsible for designing, implementing, and regularly updating these controls, while an independent internal audit department monitors and reviews their effectiveness.

Management actively discusses and determines contingency plans for major risks, refines corresponding measures, and integrates them into daily operations to ensure clear accountability and proper execution. A bottom-up reporting channel has been established to support effective monitoring of risk responses and to strengthen the Group's overall risk management framework.

The Group prohibits all forms of bribery, extortion, fraud, and money laundering. The internal audit department monitors internal controls. Stakeholders are encouraged to report any suspected non-compliance or potential conflicts of interest to senior management or the independent internal audit function. Material breaches of protocol may result in summary dismissal or legal action. During the reporting period, the Group complied in all material respects with relevant laws and regulations concerning bribery, extortion, fraud, and money laundering, including the Criminal Law of the People's Republic of China and the Anti Unfair Competition Law of the People's Republic of China and no legal cases or actions were brought against the Group in these areas. A four-year anti-corruption training rotation plan has been rolled out, targeting 100% coverage for Directors, management and front-line sales personnel.

A whistleblowing practice is in place, with the Human Resources Department serving as the first point of contact for staff concerns. Employees may also use the intranet system to communicate important matters directly to senior management. Recognising the growing importance of robust whistleblowing mechanisms, the Group is currently developing a more stringent policy to better meet the expectations of the market and its stakeholders.

Operating Practices (Continued)

COMMUNITY INVOLVEMENT



As a responsible corporation, the Group has been working towards to building a beautiful and healthy community and maintaining communication and interaction with the community to contribute to the development of the community. For promoting the awareness of environmental protection of the Yangtze river's ecosystem, the Company has been engaged in a continuous donation program with an environmental protection association which is registered with The Sichuan Provincial Civil Affairs Department.

Since 2013, we have been supporting Green River (綠色河江) by contribution of money and our products hand in hand to assist in environmental protection. As a charity support, we entered into a five-year contract with Green River that we would contribute of money not less than RMB150,000 annually to assist in environmental conservation efforts.

Through this collaboration, we launched the "Five Valleys Green Station" (五谷綠色驛站) project on the Tibetan Plateau. This public welfare station focuses on garbage collection along key routes and provides a clean resting shelter for passers-by, helping to preserve the natural beauty of the Qinghai-Tibetan route.

In line with our core values, we also donated nutritious food packages during the year to individuals battling Amyotrophic Lateral Sclerosis (ALS), reflecting our commitment to supporting vulnerable groups.

During the reporting period, the Group made donations and sponsorships amounted to RMB638,704 (2024: RMB1,495,745) in support of environmental protection, disaster relief, and stakeholder care.

Employment Practices

DIVERSITY AND EQUAL OPPORTUNITY

The Group regards its employees as its most valuable asset and the core driver of sustainable development. We are committed to continuously improving our employment practices and ensuring comprehensive protection of employee rights and interests. Upholding the principles of openness, fairness, and impartiality, we actively promote workforce diversity and strictly oppose all forms of discrimination. We strive to eliminate any unfair treatment of candidates or employees based on gender, age, race, religious beliefs, or sexual orientation.

Our working hour policies fully comply with national laws and regulations. Employees benefit from standardized working hours, paid leave, maternity leave, sick leave, public holidays, and designated rest periods, ensuring adequate time for rest and a healthy work-life balance.

The Group strictly prohibits the use of child labour and forced labour. All recruitment candidates are required to present valid identification, and individuals under the age of 16 are not permitted to be hired. Any material violation of this protocol may result in summary dismissal.

To ensure equal treatment across all aspects of employment, we have formulated and implemented a comprehensive suite of internal policies, including the Recruitment Management System, Labour Contract Management Rules, Management System of Human Resources Changes, and Attendance Management Rules. These policies govern recruitment, promotion, compensation, benefits, training, performance appraisal, employee relations, and communication, while reinforcing our zero-tolerance approach to forced and child labour.

All employment is formalized through labour contracts signed on the principles of equality, voluntariness, and mutual consensus. Depending on the nature of each position, we adopt standardized working arrangements. In cases where voluntary overtime is required due to urgent operational needs, employees are compensated with time off in lieu or overtime pay, in accordance with applicable regulations.

Since the Group's inception, we have maintained full compliance with labour contract requirements for all employees. During the reporting period, no incidents of child labour or forced labour were identified within the Group.

EMPLOYEE STRUCTURE

At the year ended date, we have 475 full time employees (2024: 516). The Group engaged 383 temporary employees, of whom 256 were assigned to the sales department and 127 were seasonal workers hired to assist with low-skilled tasks at our production centres during peak periods, we outsource positions which are repetitive and low-skill tasks to limit administrative load and quality impact in our production. In addition, we provide internship opportunities for university students and community members who wish to gain insight into the working environment and operations of the health food industry. A total of 3,880 volunteers (2024: 3,302) participated in these programmes during the year, reflecting our ongoing commitment to community engagement and talent development.

Employment Practices (Continued)

An employee handbook is established for regulating recruitment, promotion, discipline, working hours and vacations. It is required staff must have a good understanding of the contents of the handbook. Employees who fail to comply with the company's regulations are first given a warning notice and, in serious cases, are dismissed. We have created a harmonious working environment as well as a safe and comfortable workplace to build a business platform for every staff to grow with the Group. Our employment practices are well written according to relevant PRC law and regulations, namely Labour law, Production Safety Law and Prevention and Control of Occupational Diseases. In the reporting period, the Group follows relevant laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards, in all material aspects.

We have established a consistent recruitment process that aims to recruit and attract talent to our teams suited to the job requirements of each department. The Group's recruitment method is mainly network social recruitment, internal recommendation, campus recruitment with reference to factors such as their experience, qualifications and expertise required for our business operations. Applicants who meet the requirements for a post are given equal interview opportunities regardless of gender, age, race, religion or disability. A detailed description of the job, including duties, welfare and salary packages are also provided. Applicants who have relatives who work in the same Group must clarify personal relationships and that family members' work in the Group is not affected.

Our employee's remuneration is determined based on factors such as qualification, contribution, and years of experience. We regularly conduct employee performance assessments and those with excellent performance are given promotion opportunities.

To enhance our internal control on the social insurance premium and housing provident funds, we have obtained legal advice and assigned our finance and human resource department to monitor the status of monthly payments. Also, we provide entry-level employees with insurance policies.

In the reporting period, the Group follows relevant laws and regulations in relation to staff compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other staff benefits, in all material aspects.

EMPLOYEE BENEFITS AND WELFARE

We are committed to providing employees with competitive compensation and comprehensive welfare and protections. We regularly review our compensation and benefits programs in order to attract, motivate and retain talented employees. Annual reviews are conducted to exchange comments, offer adjustments and/or promotions to employee which are commensurate with their performance. In order to maintain the smooth and sound relationship between employees and employers, we regularly organize social and recreational activities for employees to enrich work and social life. In the reporting period, the Group arranged a number of meaningful activities for its employees, including annual dinner, staff award programs and team building trips.

The Group is actively working to align its remuneration policy and practices with its ESG strategy by integrating climate-related considerations into the compensation framework.

Employment Practices (Continued)

TRAINING, EDUCATION AND DEVELOPMENT

The Group is committed to providing employees with comprehensive training that caters for job requirements and career planning, which in turn provides a dynamic and innovative talent pool for the long-term development of the Company. Through a combination of orientation in-house training and on-the-job training, the Group strives to make sure that all employees are equipped with operational abilities. It helps employees learn and grow in practice, supporting and encouraging them to pursue self-improvement and life-long learning. We offer continuing education programs in place to cultivate our employees' professional skills and capabilities. For example, we organized a supplier on-site assessment class for law department and product department to strengthen their professionalism, inspection skills and our procurement management.

Anti-Corruption Training

The Company has rolled out a rotation plan of anti-corruption trainings in the reporting period. We intend to provide anti-corruption trainings, through professional organization, to our Directors and Management and front-line sales department personnel first, and then gradually extend such training to our staff on a 4-year rotation plan targeting to attain a 100% training coverage in 4 years.

OCCUPATIONAL HEALTH AND SAFETY

To provide and maintain a safe, clean and environmentally friendly working condition for employees, the Group has established a series of work safety policy and standard operating procedures. We have implemented the responsibility for production safety and accountability, comprehensively carrying out the investigation and handling of hidden hazards in production safety. We also provide information, training, and protective equipment to ensure employees' safety. We strictly comply with all applicable local health and safety regulations. In addition, the Group provides occupational safety education and training to employees to enhance their safety awareness. We strove to raise employees' safety awareness and improve their risk prevention capabilities on a continuous basis. The Group provides work protocol and safety guideline. With the goal to effectively manage occupational safety and health, the Group adopts appropriate and adequate tools in order to improve the effectiveness of the operation. Besides, the Group posts safety and operational instructions in conspicuous places, and thereby reducing the possibilities of significant occupational safety and health impacts.

Any occupational hazard might lead to severe health problems among workers. Interventions on awareness-raising will be continued to lessen the risk of safety hazards. In the reporting period, the Group follows relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards, in all material aspects. In the reporting period, within the Group four minor job-related injuries were noted. The Group has not encountered any work-related fatality incidents in the past three years. We monitor the effectiveness of safety-related controls continually and conduct assessments on its health and safety performance in order to conserve a healthy and safe workplace for our employees and protect them from work related injuries.

Employment Practices (Continued)

OUR EFFORTS AND MEASURES TO COMBAT INFECTIOUS DISEASE AND WORKPLACE TRANSMISSION

We maintain necessary precautionary measures to combat infectious disease, including regularly sanitising our workplace premises, minimizing socializing, requiring compulsory mask-wearing in sensitive districts, and setting up a reporting mechanism to timely report suspected or confirmed infectious cases of our employees and their associates. Certain work safety & health measures are enhanced, and some protocols are highlighted below:

- Routine workplace cleaning and disinfection
- Record visitor's footstep in all of our premises
- Annual compulsory medical check-up

Environmental Performance

We believe that quality living is about enriching lives today as well as caring for future generations, environmental protection is a fundamental part of our sustainable development. As a healthy food provider, we offer consumers a wider range of natural health foods. We concentrate our resource on managing our core operation (procurement, production and sales) by engaging external professional parties to take up auxiliary workflow (logistic) to minimize consumption and enhance overall efficiency.

In the reporting period, our major environmental impacts on the environment and natural resources are GHG emissions which were mainly attributed to the consumption of electricity and fuels. The related KPIs are presented in the succeeding section "ENVIRONMENTAL KEY PERFORMANCE INDICATORS".

USE OF RESOURCES

Our major resource consumption are raw materials in our food processing operation while the major source of GHG emissions emitted by the Group is the use of purchased electricity, LPG and water. Reassessed work practices apply across our businesses to improve resource utilization, reduce our emissions and manage waste responsibly. With numbers of locations including warehouses, offices, and production units, we continually identify ways to improve energy efficiency by replacing energy intensive equipment, actively conserving resource and regularly assessing operating performance. We rely on the water supply of the government. We do not anticipate having problem in sourcing water for our operation. We will conduct water conservation study according to our operation demand.

The Group has not established quantitative reduction targets for emissions, waste and energy use efficiency or water efficiency during the reporting period. This decision follows careful consideration of the Group's current expansion phase. The major production facility in Hubei Province and its resource consumption patterns are still stabilising. Setting meaningful efficiency targets without a stable baseline would risk being either unachievable or insufficiently ambitious.

Regarding climate-related strategy, the Group has taken the following approach:

(1) Current and anticipated changes to business model and resource allocation

The Group prioritises data collection and baseline establishment over premature target setting, allocating resources to strengthen its environmental data monitoring systems.

(2) Adaptation and mitigation efforts

The Group continues to monitor energy and water consumption patterns, enhance data collection processes, and implement energy-saving initiatives across its operations.

(3) Transition plan

The Group has not yet adopted a formal climate-related transition plan, but intends to revisit the feasibility of setting quantitative efficiency targets once a stable operational baseline is achieved.

Environmental Performance (Continued)

The Group will continue to monitor its consumption patterns and emission trends, strengthen its data collection processes, and revisit the feasibility of setting quantitative efficiency targets in future reporting cycles once a stable operational baseline is established.

CONSUMPTION MANAGEMENT

The Group employs multiple energy saving initiatives to improve the operating efficiency of equipment or devices and reduce energy consumption. In terms of lighting system, the Group has separated light switches for different light zones, keeps the lighting fixture clean and installs LED lightings to replace traditional fluorescent light tubes and reminds employees to switch off unnecessary lights. To reduce the use of air conditioning, employees are required to switch off the air-conditioners during non-working hours and allowed to dress casually. Room temperature is maintained at 25.5 degree celsius at all time. Air conditioning systems are also cleaned regularly to enhance their operation efficiency. The Group also encourages employees to set the computers to automatic standby or sleep mode and to turn off unused electrical devices before leaving the office.

WASTE MANAGEMENT

Emission generated by our operations primarily consist of oxides from vehicular exhaust, purchased electricity and water. In order to reduce our impact on the environment, we carefully monitor the fuel-efficiency of our in-house fleets. In our production plant, designated personnel are assigned to oversee the existing wastewater treatment facilities according to GB8978-1996 PRC discharge standard of water pollutants. The amount of waste water increased along with our operation level. We do not have a comprehensive study on its coefficiency at the moment. The major waste water generated by the Group is domestic sewage, which is directly discharged to the municipal drainage system.

The non-hazardous waste of the Group mainly includes general waste. General wastes are collected and handled by the qualified waste processor. Regarding the hazardous waste (raw materials with metal content detected), our business units follow strict procedures for proper treatment, collection and hand hazardous waste over external hazard waste collectors to handle hazardous waste. We are assessing if any reduction target could be set feasibly.

COMPLIANCE OPERATION

Compliance operation always come first. Our operation policy and process comply with all relevant environmental laws and regulations in PRC during our daily operation namely Prevention and Control of Water Pollution, Prevention and Control of Environmental Pollution by Solid Wastes, Environmental Protection Law and Conserving Energy Law.

To improve our operation efficiency, our management team strictly monitors, manages and evaluates to make every possible improvement in our operation (efficient resource consumption, waste minimization, recycle and reuse promotion).

Social Key Performance Indicators

Social indicators	2025	2024[1]
Employments		
Total number of employees[2]	475	516
By Gender		
Male	165	162
Female	310	354
By age group		
Below 30 years old	116	56
30 to 50 years old	342	437
Above 50 years old	17	23
By ranking		
Managerial grade and above	62	80
General staff and sales force	413	436
By geographical region		
Mainland China – Guangdong province	317	301
Mainland China – Other provinces	158	215

Note 1 – Figures updated due to revise on staff classification and system updated.

Note 2 – Employees refer to staff who have direct employment relationship with the Group.

Employee turnover rate[1]	2025	2024[2]
General turnover rate	31.4%	29.2%
By gender		
Female	37.7%	29.2%
Male	19.4%	26.8%
By age group		
Aged 50 or above	147.1%	13.4%
Between 30 and 49	33.0%	24.1%
Between 18 and 29	9.5%	56.2%
By geographical region		
Mainland China – Guangdong province	20.5%	16.9%
Mainland China – Other provinces	53.2%	41.1%

Note 1 – employees here refer to staff who have direct employment relationship with the Group.

Note 2 – Figures updated due to revise on staff classification and system updated.

Social Key Performance Indicators (Continued)

Training statistics[1]	2025	2024
Total hours of training received by employees	16,188	14,978
Average training hour (staff divided by total training hours)	34.1	22.4
Percentage of employee trained by gender		
Female	100%	100%
Male	100%	100%
Percentage of employee trained by ranking		
Managerial grade and above	100%	100%
General staff	100%	100%
Average training hours per employee by gender		
Female	44.0	33.1
Male	27.2	18.0
Average training hours per employee by ranking		
Managerial grade and above	4.3	2.0
General staff	37.5	25.8

Note 1 – employees here refer to staff with employment contractual relationship with the Group.

Work health safety – injury and fatalities statistic	2025	2024	2023
Cause of incident			
while operating machinery	3	1	4
Injured by heavy object impact	0	3	1
Others	79	23	48
Lost of workings days due to reported injuries	2,260	272	1,947

Note 1 – employees here refer to staff with employment contractual relationship with the Group.

B5 Critical suppliers statistic		Number of suppliers	
		2025	2024
By geographical region	Northern area of PRC	23	23
	Southern area of PRC	1	4
	New Zealand	8	4
	Chile	1	0
Total		33	31

Environmental Key Performance Indicators

KPIs	Indicators	Unit	2025	2024
A1.1	NOx emissions	Tonne	2.9	5.5
	SOx emissions	Tonne	0.0	10.2
	Particulate matters	Tonne	0.2	1.1
	Scope 1 GHG emissions[2]	Tonnes	3,078	3,958.1
	Scope 2 GHG emissions[3]	Tonnes	8,179	8,124.1
	Scope 3 GHG emissions[4]	Tonnes	524	176.7
A1.2	Total greenhouse gas ("GHG") emissions (Scope 1, 2, and 3)	tCO_2e	11,781	12,258.9
	GHG emissions intensity	tCO_2e/person	24.8	23.8
	(Total GHG emissions/number of employees)			
A1.4	Non-hazardous waste produced[6]	Tonne	394	300
	Non-hazardous waste intensity	Kg/person	0.9	0.6
	(Total non-hazardous waste produced/number of employees)			
A2.1	Total electricity consumption	kWh in '000s	11,685	10,063
	Electricity consumption intensity	kWh in '000s/	24.6	19.5
	(Total electricity consumption/number of employees)	person		
	Total Liquefied Petroleum Gas ('LPG') consumption	m^3	1,016	859
	LPG consumption intensity	Tonne/person	2.1	1.7
	(Total LPG consumption/number of employees)			
A2.2	Total water consumption	Tonne	142,595	108,276
	Water consumption intensity	Tonne/person	300.2	209.8
	(Total water consumption/number of employees)			
	Total paper related consumption	Tonne	2.1	1.0
	Paper consumption intensity	Tonne/person	0.0	0.0
	(Total paper consumption/number of employees)			
	Total diesel fuel consumption	Liter	4,613	321
	Diesel fuel consumption intensity	Liter/person	9.7	0.6
	(Total diesel fuel consumption/number of employees)			
A2.5	Total packaging material used for finished products	Tonne	12,869.9	11,072.8
	– Paper box	Tonne	853.1	687.6
	– Cartoon box	Tonne	9,844.2	8,633.9
	– Plastic container	Tonne	2,056.2	1,657.4
	– Plastic bag	Tonne	116.4	93.9
	Packaging consumption intensity	Tonne/person	27.1	21.5
	(Total packaging consumption/number of employees)			

Environmental Key Performance Indicators (Continued)

Notes to above table:

1 GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

2 Major source of Scope 1 emission came from usage of LPG and diesel.

3 Major source of Scope 2 emission came from usage of purchased electricity in People's Republic of China.

4 Since 2023, our scope 3 emission includes major downstream transportation and distribution and paper consumption. This was calculated based on estimate fuel consumption of the 44-tonne heavy lorries used in the orders we offered to our logistics partner and standard diesel emission factors suggested by the manufacturer. As part of our commitment to reducing our Scope 3 footprint, we are actively engaging with our partner to identify effective measures includes route optimization, driver training on fuel-efficient driving techniques, assessment of alternative fuel options.

5 The Group measures its GHG emissions using the emission factor method (Scope 1 and 3) and the location-based method (Scope 2). This approach was selected because it is the most practical and reliable methodology available, balancing data accuracy with the cost and effort of collection. For Scope 3 downstream transportation, direct fuel data from logistics partners is not yet fully available; estimation based on order volume and standard lorry specifications provides the most reasonable approximation without disproportionate cost. The Group will refine its inputs as data collection systems mature.

6 Hazardous waste means raw material with metal content which has been returned to raw materials supplier or disposed where quantity immaterial to our operation and did not include in the scope of this report.

7 Non-hazardous waste includes paper box waste, stickers, and domestic wastes.