Newtrend

新琪安集團股份有限公司
NEWTREND GROUP HOLDING CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2573

2025
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xiaoqiang *(Chairman and general manager)*
Mr. Wang Hao *(Deputy general manager)*
Ms. Chen Lijun *(Chief financial officer)*
Mr. Wu Dingfeng
Ms. Zuo Yue

Non-executive Director

Mr. Xiao Fan

Independent non-executive Directors

Dr. Song Jingjin
Dr. Li Ling
Mr. Lo Kwing Yu

SUPERVISORS

Mr. Shi Yueqiang *(Chairperson)*
Mr. Liu Huojin
Ms. Guo Lideng (resigned on 20 January 2026)
Mr. Mao Yu (appointed on 20 January 2026)

JOINT COMPANY SECRETARIES

Mr. Zheng Mo (resigned on 31 March 2026)
Ms. Wong Wai Yee Ella (resigned on 1 April 2026)
Ms. Zuo Yue (appointed on 1 April 2026)
Ms. Cheung Hin Kiu (appointed on 1 April 2026)

AUTHORISED REPRESENTATIVES

Ms. Zuo Yue
Ms. Wong Wai Yee Ella (resigned on 1 April 2026)
Ms. Cheung Hin Kiu (appointed on1 April 2026)

AUDIT COMMITTEE

Dr. Song Jingjin *(Chairperson)*
Mr. Lo Kwing Yu
Dr. Li Ling

REMUNERATION COMMITTEE

Dr. Song Jingjin *(Chairperson)*
Mr. Lo Kwing Yu
Ms. Chen Lijun

NOMINATION COMMITTEE

Mr. Wang Xiaoqiang *(Chairperson)*
Dr. Song Jingjin
Dr. Li Ling

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Jinggangshan Economic and Technological
Development Zone
Ji'an, Jiangxi, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1915, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

AUDITOR

Confucius International CPA Limited
Certified Public Accountants
Room 1501–08, 15/F
Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Grandall Zimmern Law Firm
14/F, The Hong Kong Club Building
3A Chater Road
Central, Hong Kong

As to PRC law:
Grandall Law Firm (Shenzhen)
24/F, 31/F, 41/F, 42/F, Tequbaoye Building
6008 Shennan Avenue
Shenzhen, Guangdong Province
518034, China

COMPLIANCE ADVISER

CMBC International Capital Limited
34/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

COMPANY'S WEBSITE

www.newtrend-group.com

STOCK CODE

Stock Exchange of Hong Kong: 2573

PRINCIPAL BANK

Agricultural Bank of China Limited
Ji'an Jizhou Branch
No. 1–01, Building S1
Hengda Dijing Commercial Building
No. 16, Shangde Road
Jizhou District,
Ji'an City
Jiangxi Province
China

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Audit Committee"	the audit committee of our Company
"Board"	the board of Directors of our Company
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China
"Company" or "our Company"	Newtrend Group Holding Co., Ltd. (新琪安集團股份有限公司), formerly known as Ji An Newtrend Technology Co., Ltd. (吉安市新琪安科技有限公司) and Newtrend Technology Co., Ltd. (新琪安科技股份有限公司), a limited liability company established in the PRC on 8 September 2006 and converted from a limited liability company into a joint stock limited liability company on 4 December 2017
"Company Secretary"	the company secretary of our Company
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Corresponding Year"	the year ended 31 December 2024
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"Global Offering"	has the same meaning as defined in the Prospectus
"Group" or "our Group"	our Company and its subsidiaries
"H Share(s)"	the overseas-listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 per H Share which is/are subscribed for and traded in HK dollars and listed on the Stock Exchange
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$", "Hong Kong dollars" or "HK dollars"	Hong Kong dollars or cents, the lawful currency of Hong Kong

"Indonesia Plant"	the production plant, located in Karawang New Industry City, West Java Province, Indonesia
"Ji'an Plant"	the production plant located in High-Technology Zone, Ji'an City, Jiangxi Province, the PRC
"Jiangxi Ansun"	江西安晟食品配料有限公司 (Jiangxi Ansun Food Ingredients Co., Ltd.*), formerly known as Jiangxi Ansun Chemical Technology Co., Ltd. (江西安晟化工科技有限公司), a limited liability company established in the PRC on 5 December 2003 and a direct wholly-owned subsidiary of our Company
"Juhexing Investment"	吉安市井開區聚合興投資諮詢合夥企業(有限合夥) (Ji'an Jingkai District Juhexing Investment Consulting Partnership (Limited Partnership)*), a limited partnership established in the PRC on 24 December 2014 of which Ms. Ding is the sole general partner, and one of our Controlling Shareholders
"Listing"	the listing of our H Shares on the Main Board of the Stock Exchange on 10 June 2025
"Listing Date"	the date on which the H shares are listed on the Main Board of the Stock Exchange and from which dealings in the H shares are permitted to commence on the Main Board of the Stock Exchange i.e.10 June 2025
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
"Nanchang Newtrend"	南昌市新琪安科技有限公司 (Nanchang Newtrend Technology Co., Ltd.*), a limited liability company established in the PRC on 26 June 2017 and a direct wholly-owned subsidiary of our Company
"Net Proceeds"	the net proceeds raised by the Company from the Global Offering
"Newtrend Europe"	Newtrend Europe B.V

DEFINITIONS

"Newtrend Health"	深圳市新琪安健康科技有限公司 (Shenzhen Newtrend Health Technology Co., Ltd.*), a limited liability company established in the PRC on 18 February 2011 and a direct wholly-owned subsidiary of our Company
"Newtrend Industrial"	Shenzhen Newtrend Industrial Development Co., Ltd.* (深圳市新琪安實業發展有限公司)
"Newtrend Nutrition"	PT. Newtrend Nutrition Ingredient, a limited liability company incorporated in the Republic of Indonesia on 23 October 2019 and an indirect wholly-owned subsidiary of our Company
"Newtrend Thailand"	Newtrend Food Ingredient (Thailand) Co., Ltd., a limited liability company incorporated in the Kingdom of Thailand on 5 March 2013 and an indirect wholly-owned subsidiary of our Company
"Prospectus"	the prospectus of the Company dated 30 May 2025
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Nomination Committee"	the Nomination Committee of our Company
"Remuneration Committee"	the Remuneration Committee of our Company
"R&D"	Research and Development
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of our Company
"Thailand Plant"	the production plant, located in Pluak Daeng District, Rayong Province, Thailand

"U.S."	the United States of America
"Xizang Newtrend"	西藏新琪安精細化工有限公司 (Xizang Newtrend Fine Chemical Technology Co., Ltd.*), a limited liability company established in the PRC on 23 April 2014 and a direct wholly-owned subsidiary of our Company
"Year"	for the year ended 31 December 2025
"%"	per cent

* *For identification purposes only*

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2025	2024	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**583,198**	568,867	446,938	761,499
Gross profit	**108,581**	101,900	79,899	194,859
Profit before taxation	**11,219**	48,734	48,382	149,316
Income tax credit (expense)	**1,840**	(5,328)	(3,720)	(27,295)
Profit for the year	**13,059**	43,406	44,662	122,021
Total comprehensive income for the year	**11,357**	44,189	46,373	121,547

FINANCIAL POSITION

	Year ended 31 December			
	2025	2024	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**685,657**	394,301	340,279	390,913
Non-current assets	**445,806**	418,607	372,930	335,748
Current liabilities	**361,350**	325,608	272,862	314,069
Non-current liabilities	**107,853**	8,181	5,417	12,901
Net assets	**662,260**	479,119	434,930	399,691
Total equity	**662,260**	479,119	434,930	399,691

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS PROFILE

During the Year, the Group's principal business was the production and sales of food-grade and industrial-grade glycine and sucralose. During the Year, the Group's total revenue amounted to RMB583.2 million, representing an increase of approximately 2.5% compared to the Corresponding Year. Gross profit reached RMB108.6 million, representing an increase of approximately 6.6% compared to the Corresponding Year.

During the Year, the Group's profit declined by 69.9%, primarily due to (i) an increase in administrative expenses by RMB18.3 million; (ii) a decrease of RMB9.4 million in net foreign exchange gain; and (iii) an increase of RMB7.5 million in interest expenses under financial costs.

II. REVIEW OF PRINCIPAL BUSINESS

To improve the results of the Group, the Board proactively adjusted its production and operation strategies in response to the changes in internal and external environments of the Group and the market. The major business activities of the Group during the Year are summarised as follows:

(I) Major Operations

1. Glycine Business

During the Year, the average market price of food-grade and industrial-grade glycine remained stable. When selling glycine products, the Group continues to adopt different strategies for sales to the U.S. and non-U.S. markets. The U.S. government has imposed higher tariffs on glycine exports from Chinese Mainland to the U.S. As a result, all glycine sold by us to the U.S. customers is produced at our Indonesia Plant. During the Year, overseas sales of glycine produced at the Indonesia Plant decreased.

2. Sucralose Business

In the first half of 2025, the price competition for sucralose among industry participants in Chinese mainland tended to ease, but the price competition intensified again in the second half of 2025. Sucralose is not subject to the U.S. reciprocal tariff, since sucralose falls under the exemption under Annex II concerning the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025. Our Thailand Plant, which was put into production in 2024, further enhances the overseas sales of sucralose.

3. Other Business

During the Year, the Group continued to enhance its R&D capabilities by expanding its R&D team and expanding its R&D center. In addition, the Group continued to prioritise and focus on overseas markets.

The curcumin expansion project at the Indonesia Plant is currently in the critical construction phase, with all parties involved working collaboratively to advance equipment installation and civil engineering construction. The expansion is expected to be completed in the first half of 2026. Following this expansion, the Company's annual production capacity for curcumin products will increase to 250 metric tons, and the product yield index will also rank among the top tier in the industry, further consolidating and enhancing the Company's market competitiveness in the field of natural functional ingredients.

The isomalt products project at the Thailand Plant has transitioned from trial production to stable mass production, with a designed annual production capacity of 15,000 metric tons, thus providing solid support for the Company's overseas business expansion and result growth. Leveraging BOI tax and tariff incentives, process optimization and economies of scale, the cost competitiveness of the Company's products will gradually become evident.

In addition, the Group remains committed to the development and application of new products such as seaweed dietary fiber, and will allocate the proceeds from the Global Offering to the construction of new production plant and new production lines adjacent to the Ji'an Plant.

(II) Implementation of Internal Management

1. Human Resource Management

In 2025, the Group continued to promote its personnel restructuring. The Group is committed to investing significant resources to strengthen its R&D capabilities and expand its R&D team. As of 31 December 2025, the Group had its own R&D team consisting of 42 employees, and hired experts to enhance product capacity, optimize existing products as well as develop new products.

2. Financial Management

During the Year, the Group continued to strengthen its efforts in financial management, refreshed its product quotation system, optimized product quotation details, and ensured the efficiency of contract signing.

3. Asset Management

During the Year, the Group continued to standardize and strengthen its asset management.

4. Supply Chain Management

During the Year, the Group has comprehensively enhanced its supply chain management. By leveraging global resources, it established a stable supply system and deepened collaboration between procurement and production, while employing refined inventory control measures, so as to hedge against price fluctuations. This significantly improved the resilience and risk response capabilities of the supply chain, ensuring the stable operation of production and business activities.

5. Quality Management

During the Year, the Group continued to upgrade its quality management system. The Group's plants are equipped with modern production facilities and equipment. The Group's products are strictly manufactured in accordance with standards and have obtained international certifications such as FSSC 22000, BRC, Kosher and Halal.

6. Safety Management

During the Year, the Group has closely aligned its safety objectives with concrete actions, firmly implementing a safety production accountability system across all staff, with full-time safety management personnel assigned to every post and achieving full coverage of production areas. During the Year, the Group did not experience any safety accidents or environmental protection accidents, and the overall status of work safety was under control.

7. Risk Control

During the Year, the Group continued to strengthen risk management and control, and conducted regular risk assessments, ensuring its capability to offer DDP delivery terms to overseas customers.

III. FINANCIAL ANALYSIS

(I) Items of Income Statement

1) Revenue

The following table sets out the breakdown of the revenue from contracts with customers by major products line for the periods indicated:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Sales of sucralose products	**279,229**	237,471
Sales of food-grade glycine products	**223,710**	239,005
Sales of industrial-grade glycine products	**47,125**	66,371
Sales of other products	**33,134**	26,020
	583,198	568,867

The Group's revenue increased by approximately 2.5% from approximately RMB568.9 million for the Corresponding Year to approximately RMB583.2 million for the Year, primarily reflecting the following:

(i) Revenue of sucralose business increased by approximately 17.6% from approximately RMB237.5 million for the Corresponding Year to approximately RMB279.2 million for the Year, mainly due to increased sales of sucralose produced by the Thailand Plant;

(ii) Revenue of food-grade glycine business decreased by approximately 6.4% from approximately RMB239 million for the Corresponding Year to approximately RMB223.7 million for the Year, primarily due to decreased sales of food-grade glycine produced by the Indonesia Plant;

(iii) Revenue of industrial-grade glycine business decreased by approximately 29% from approximately RMB66.4 million for the Corresponding Year to approximately RMB47.1 million for the Year, primarily due to decreased sales of industrial-grade glycine from the Xizang Plant;

(iv) Revenue of other business increased by approximately 27.3% from approximately RMB26 million for the Corresponding Year to approximately RMB33.1 million for the Year, primarily due to the increase of income from curcumin.

2) Cost of Sales

The Group's cost of sales increased by approximately 1.6% from approximately RMB467 million for the Corresponding Year to approximately RMB474.6 million for the Year.

3) Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The Group's gross profit increased by approximately 6.6% from approximately RMB101.9 million for the Corresponding Year to approximately RMB108.6 million for the Year. The Group's gross profit margin increased by approximately 0.7 percentage points from approximately 17.9% for the Corresponding Year to approximately 18.6% for the Year, primarily reflecting the following:

(i) Gross profit of sucralose business increased by approximately 10.6% from approximately RMB75.7 million for the Corresponding Year to approximately RMB83.7 million for the Year, primarily due to the increase in gross profit from sucralose produced by the Thailand Plant. The gross profit margin decreased by approximately 1.9 percentage points from approximately 31.9% for the Corresponding Year to approximately 30% for the Year, primarily due to a slight decrease in selling prices;

(ii) Gross profit of food-grade glycine business decreased by approximately 7.4% from approximately RMB35.7 million for the Corresponding Year to approximately RMB33 million for the Year, primarily due to decreased sales of food-grade glycine produced by the Indonesia Plant. The gross profit margin decreased by approximately 0.2 percentage points from approximately 14.9% for the Corresponding Year to approximately 14.8% for the Year;

(iii) Industrial-grade glycine business recorded a gross loss of approximately RMB1.9 million for the Year, compared to a gross loss of approximately RMB5.0 million for the Corresponding Year, primarily due to a decrease in costs in 2025 as compared to 2024. The gross loss ratio for the industrial-grade glycine business was approximately 3.9% for the Year, compared to approximately 7.5% for the Corresponding Year;

(iv) Other business recorded a gross loss of approximately RMB6.3 million for the Year, compared to a gross loss of approximately RMB4.5 million for the Corresponding Year, primarily due to a decrease in gross profit from other products. The gross loss ratio for other business was approximately 19.1% for the Year, compared to approximately 17.4% for the Corresponding Year.

4) Other Income, Gains and Losses

The Group's other income, gains and losses decreased by approximately 63.0% from approximately RMB17.7 million for the Corresponding Year to approximately RMB6.5 million for the Year, primarily due to a decrease in net foreign exchange gains of RMB9.4 million and a decrease in interest income on bank deposits of RMB2.4 million.

5) Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 31.5% from approximately RMB4.8 million for the Corresponding Year to approximately RMB6.3 million for the Year, primarily due to increases in sales personnel salaries and exhibition expenses.

6) Administrative Expenses

The Group's administrative expenses increased by approximately 59.2% from approximately RMB30.9 million for the Corresponding Year to approximately RMB49.1 million for the Year, primarily due to increases in employee expenses, expenses for hiring intermediaries and depreciation expenses.

7) Research and Development Costs

The Group's research and development costs slightly dropped by approximately 5% from approximately RMB16.6 million for the Corresponding Year to approximately RMB15.7 million for the Year.

8) Finance Costs

The Group's finance costs increased by approximately 270% from approximately RMB2.8 million for the Corresponding Year to approximately RMB10.3 million for the Year, primarily due to increase in bank borrowing interest and other borrowing interest expenses.

9) Income tax expense/credit

During the Year, the Group incurred an income tax credit of approximately RMB1.8 million as compared to an income tax expense of approximately RMB5.3 million for the Corresponding Year, primarily due to the decline in profits.

10) Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the Company recorded a profit and total comprehensive income attributable to owners of approximately RMB11.4 million for the Year as compared to approximately RMB44.2 million for the Corresponding Year.

(II) Assets

As of 31 December 2025, the Group's total assets amounted to RMB1,131,463,000, representing an increase of 39.2% from RMB812,908,000 as of 31 December 2024. Among them, its total non-current assets amounted to RMB445,806,000, accounting for 39.4% of the total assets and representing an increase of 6.5% from RMB418,607,000 as of 31 December 2024.

As of 31 December 2025, the Group's total current assets amounted to RMB685,657,000, accounting for 60.6% of total assets and representing an increase of 73.9% from RMB394,301,000 as of 31 December 2024.

(III) Liabilities

As of 31 December 2025, the Group's total liabilities amounted to RMB469,203,000. Total liabilities to total assets ratio was 41.5%, representing an increase of 0.4 percentage points as compared with 41.1% as of 31 December 2024. Among them, bank loans and other loans due within one year amounted to RMB189,114,000.

(IV) Liquidity and Capital Resources

1) Bank borrowings

The Group's bank borrowings increased by approximately 160.5% from approximately RMB74.7 million as of 31 December 2024 to approximately RMB194.6 million as of 31 December 2025.

The table below sets out the composition of the Group's borrowings and the repayment schedule for interest-bearing bank loans as of the dates indicated:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bank borrowings	**194,600**	74,700
Secured and guaranteed	**–**	24,900
Unsecured and guaranteed	**–**	10,000
Secured and unguaranteed	**32,600**	19,800
Unsecured and unguaranteed	**162,000**	20,000
	194,600	74,700
Fixed-rate borrowings	**194,600**	74,700
Carrying amount repayable		
Within one year	**176,600**	74,700
More than one year, but not exceeding two years	**18,000**	–
	194,600	74,700
Less: Amount due for settlement within 12 months shown under current liabilities	**(176,600)**	(74,700)
Amount due for settlement after 12 months shown under non-current liabilities	**18,000**	–

Borrowings with carrying amounts of RMB34,900,000 as of 31 December 2024, were guaranteed by related parties.

2) Other borrowings

The Group's other liabilities decreased by approximately 7.3% from approximately RMB95.7 million as of 31 December 2024 to approximately RMB88.7 million as of 31 December 2025.

Other borrowing of RMB95,650,000 as at 31 December 2024 was unsecured and interest-free on principal amount (the "Zang Qing Borrowings"). In January 2025, the Company, Xizang Newtrend Fine Chemical Technology Co., Ltd. (the "Xizang Newtrend"), Shenzhen Newtrend Industrial Development Co., Ltd. (the "Newtrend Industrial"), and Xizang Zang Qing Industrial Park Investment Co., Ltd. (the "Zang Qing Investment") entered into a supplemental agreement (the "Xizang Settlement Agreement"), pursuant to which each party agreed to re-arrange the repayment schedules of the borrowing with principal amount of RMB95,650,000, and Xizang Newtrend agreed to provide its leasehold land and property, plant and machinery as a security (the "New Zang Qing Borrowings"). As at the date of this report, details of the securities for the New Zang Qing Borrowings have not yet been finalised. With the effect of Xizang Settlement Agreement, each party also agreed not to claim for a breach relating to their rights and obligations of unrecovered subsidy and overdue penalty, and the respective guarantee provided by Newtrend Industrial was released.

According to the re-arranged repayment schedule, Xizang Newtrend will repay part of the principal and interest by certain instalments in aggregate of approximately RMB37,540,000 from 2025 to 2027. The remaining balance should not be settled earlier than 1 January 2028 and subject to further negotiation. During the Year, Xizang Newtrend repaid the principal of approximately RMB7,386,000. No modification gain or loss was recognised in the consolidated statements of profit or loss and other comprehensive income in January 2025 as the fair value of the New Zang Qing Borrowings is approximate to the carrying amount of the Zang Qing Borrowings. The New Zang Qing Borrowings was subsequently carried at amortised cost using effective interest method.

IV. BUSINESS OUTLOOK

The Company successfully listed on the Stock Exchange of Hong Kong in June 2025. The Company will, under the guidance of the Board, reasonably utilise the funds raised from listing, invest most of its efforts in business growth, further reduce costs and increase efficiency, and optimise internal control, striving for the accomplishment of various business goals.

(I) Business Situation and Measures Taken

The food additives industry in which the Group operates plays a pivotal role in the broader food sector. Food additives are used for extending shelf life, enhancing product quality, enriching nutrition, improving food safety, and facilitating processing and storage and for other purposes, all of which significantly drive the development of food sector. Within specialized market segments including glycine and sweeteners where our main products operate, the Group is expected to maintain sustained growth over the coming years, driven by the ongoing expansion of their respective downstream industries. Additionally, as global end consumers increasingly prioritize health-related factors such as clean food labels and daily nutrient intake, the Group will continue to develop new products made from natural ingredients, such as curcumin, isomalt and seaweed dietary fiber, rice starch, rice protein powder (rice peptide), resistant dextrin, crystalline maltitol, and isomalto-oligosaccharide, etc., to closely follow industry trends.

In order to further develop our business and maintain our growth, we will continue to take the following measures:

1. Continuous prioritisation and focus on overseas markets

The Group has a diversified customer base worldwide and maintains business relationships with several reputable multinational companies for approximately 10 to 20 years. In the future, the Group will pursue the following strategies: (i) In March 2026, the Thailand Plant successfully passed the FSSC 22000 quality system upgrade and its isomalt project officially obtained market access certification from the Thailand Food and Drug Administration (FDA), achieving dual breakthroughs in quality management system and in product compliance certification. The project has also received an investment promotion certificate from the Thailand Board of Investment (BOI), granting a six-year corporate income tax exemption along with import duty reductions on project equipment and raw materials. FSSC 22000 system approval and FDA certification demonstrate that the Company's products and management meet international standards, further strengthening its global compliance framework. The isomalt project at the Thailand Plant is planned to increase utilization rate significantly by the end of 2026. Multiple policy incentives have optimized the cost structure and reduced operational expenses of Thailand plant. Along with Thailand plant capacity ramp-up and market expansion, are expected to make positive contributions to the Company's revenue and profits. (ii) The curcumin project at the Indonesia Plant is planned to complete its capacity expansion and renovation in the first half of 2026, then proceeding to commissioning and production, thus gradually achieving designed production capacity within the third quarter. Leveraging geographical advantages of plants in Thailand and Indonesia, the Company has taken the advantage of high-quality raw materials such as sugar and turmeric, and also gained access to the local market while extending its footprint across Southeast Asia, increasing its global market share and influence in the industry. This not only showcases the Company's global operational capabilities but also solidifies its overseas presence, injecting momentum into the expansion of its international business and driving high quality growth in operating results. In the future, the Group will deepen its presence on overseas markets, prioritizing certifications from leading global food, beverage, health supplement, and pharmaceutical companies to become a core supplier.

2. Diversification of our product offerings through continuous development of new products

In the future, the Group will constantly strive to diversify its product offerings by developing new products, and commit to developing products which align with the industry trends and demand of customers. The Group has been recognised as a national high and new technology enterprise for 18 consecutive years since 2009, with multiple technology centers recognized by the government. Therefore, the Group possesses sufficient capabilities to develop new products and diversify its product offerings.

In addition to the Group's main products, sucralose and glycine, the Company continues to focus on innovation and expansion within the healthy food ingredients sector, developing other products in response to industry demands which include dietary syrups, curcumin, isomalt, seaweed dietary fiber, rice starch, rice protein powder (rice peptide), resistant dextrin, crystalline maltitol and isomalto-oligosaccharide, etc., further enriching the functionality and diversifying the product matrix of functional food ingredients. Meanwhile, while closely following market trends in healthy consumption, the Company will deepen the development of product application scenarios and technological iterations, and continuously expand the application boundaries of its products across the food, health supplement, and pharmaceutical sectors. By offering a diversified and high-quality portfolio of new products, the Company aims to strengthen its market competitiveness and inject robust momentum into its long-term sustainable growth.

3. Expansion of our international sales network

The Group has established its sales headquarters in Shenzhen, the PRC, which will be overseeing all sales activities conducted by its sales offices around the globe. The Group will continue to set up new sales offices across the globe in the future according to our plan. The Group will recruit local sales staff who have relevant sales experience to leverage on their local knowledge and connections for further expansion of our international sales network.

4. Enhancement of R&D capabilities

We plan to further enhance our R&D capabilities to focus on the development of new products by expanding our R&D centre in the PRC, establishing biotechnology pilot platform, purchasing further R&D equipment and recruiting more R&D staff. The Group's continuous product development and improvement following the latest market trend and changing needs and requirements of customers are key to maintaining our competitive position and allow our further growth and expansion of business.

(II) Management Improvement

1. Human Resource Management

As its future growth depends on the level of its global operations, such as the capabilities to maintain close relationships with its major global customers and maintain business at its Indonesia Plant and Thailand Plant, the Group will further enhance its human resources management level and retain and attract competent personnel through a reasonable remuneration mechanism.

2. R&D Department Management

Building on its existing R&D department, the Group will further enhance its R&D capabilities in the future by leveraging internal and external resources. The Group will continuously develop new products or technologies that meet market needs through internal training, external recruitment of R&D personnel, and collaboration with external research institutes, among other means, to actively address changes in consumer preferences regarding the taste, preferences, and perceptions of food additives.

3. Intellectual Property Management

The Group has committed to the industry for over 20 years and has established a good reputation in the industry. In addition, the Group protects its intellectual property rights and reputation by registering trademarks and patents in its business operation areas. In the future, the Group will continue to strictly execute its internal control system for asset management and further improve its management of application and registration of intellectual property in its business operation areas, so as to effectively prevent third-party infringement and maintain its competitiveness.

4. Raw Materials and Inventory Management

The Group is a manufacturer engaged in the food additive manufacturing industry, where stable, high-quality, and sufficient raw material supply is critical to its production and operations. Leveraging its subsidiaries, the Group selects premium suppliers and enters into long-term framework agreements with core suppliers, establishing a stable supply system through centralized procurement, volume-based price negotiations, and dynamic adjustment of purchasing schedules. Simultaneously, the Group strengthens deep collaboration between its procurement and production facilities, formulating precise procurement and inventory strategies based on raw material characteristics and production plans. We implement end-to-end inventory control, strictly enforcing batch management and first-in, first-out principles, while continuously optimizing inventory structure and improving inventory turnover rates. These measures effectively mitigate risks associated with raw material price fluctuations and reduce procurement costs.

5. Product Quality Management

The Group will continue to implement strict product quality management systems to effectively maintain its control over quality.

V. LIQUIDITY AND FINANCIAL RESOURCES

The Group's capital resources are derived from working capital and bank loans and proceeds from the issuance of shares by the Company. To ensure reasonable utilisation of its capital, the Group has established a stringent and sound financial management system. During the Year, the Group had no inappropriate conduct such as default in repayment of due debts and failure of performance of due obligations.

As of 31 December 2025, the Group's current ratio, calculated by dividing total current assets by total current liabilities, was approximately 1.9 (31 December 2024: approximately 1.2), and the quick ratio was approximately 1.6 (31 December 2024: approximately 0.9).

As at 31 December 2025, the Group's bank borrowings amounted to RMB194,600,000. Due to its bank deposits and cash totaling RMB168,544,000, the Group had low exposure to short-term solvency risk.

In the future, the Group will continue to strengthen its capital allocation and management and make the most of the funds available under the condition of ensuring the normal operation of production and business activities.

VI. GEARING RATIO

The gearing ratio is calculated by dividing the total liabilities by total equity. As of 31 December 2025, the Group's gearing ratio was 70.8%, representing an increase of approximately 1.1 percentage points from 69.7% as of 31 December 2024.

VII. CONTINGENT LIABILITIES

As of 31 December 2025, the Group had no contingent liabilities (31 December 2024: none).

VIII. EVENT AFTER THE REPORTING PERIOD

On 3 March 2026, Stock Exchange has granted the approval for the listing of and permission to deal in 41,082,340 H Shares of the Company to be converted under the conversion of 41,082,340 Domestic Shares ("Converted H Shares"), subject to fulfilment of all other conditions of the Conversion and Listing. The Company's H Share full circulation was completed on 17 April 2026. On 20 April 2026, the Converted H Shares was listed on the Stock Exchange. Following the completion of the registration and listing of the Converted H Shares, the total number of issued Shares of the Company is 96,231,234, all of which are H Shares. For capitalized terms and details above, please refer to the announcements of the Company dated 29 January 2026, 5 March 2026 and 17 April 2026.

Save as disclosed in this report and as at the date of this report, there were no significant events occurred after the Reporting Period that require additional disclosure or adjustments.

IX. PLEDGE OF ASSETS

As at 31 December 2025, the Group maintained bank loans with assets as security.

As at December 2025, the Group had pledged buildings, structures and machines with a book value of approximately RMB11,998,000 as security for bank borrowings granted to the Group. As at December 2025, the Group had pledged leasehold land with a book value of approximately RMB5,441,000 as security for bank borrowings granted to the Group. As at December 2025, the Group had pledged bank deposits of RMB19,262,000 as security for the issuance of bank acceptance bills.

As of December 2025, Xizang Newtrend has agreed to provide its leasehold land, properties, plant and machinery as security for the New Zang Qing Borrowings. As of the date of this report, the relevant pledging procedures was still in the process. Please refer to Note 28 to the financial statements.

X. GROUP'S EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2025, the Group had 636 employees. During the Year, RMB60,334,000 was used for the remuneration of employees.

The Group determines the remuneration of employees based on their performance and experience and current industry practices. We participate in the social welfare schemes organised by local, municipal and provincial governments which provide housing provident funds and pension, medical, maternity, work-related injury and unemployment insurance for our employees in the PRC. Meanwhile, the Group provides corresponding social welfare schemes for employees in other countries (regions) in accordance with local government policies. The Group also provides employees with technical training opportunities.

The remuneration policy for employees of the Group is determined by the Board pursuant to the recommendations of the Remuneration Committee, taking into account the employees' merits, qualifications and capabilities. The remuneration for Directors is determined by the Board, also pursuant to the recommendations of the Remuneration Committee, with consideration given to the Company's operating results, individual performance and comparable market statistics.

XI. MAJOR INVESTMENTS, MAJOR ACQUISITIONS, AND DISPOSALS

As of 31 December 2025, save as the cash management note of HK$65,000,000 (equivalent to approximately RMB58,487,000) as referred in Note 21 of the financial statement, the Group did not hold any major investments (including any investments in investee companies whose value constitutes 5% or more of the Group's total assets as of 31 December 2025), and did not experience any major acquisitions or disposals of subsidiaries, associates, and joint ventures.

As at the date of this report, the Group currently has no other major investments except the "Future Plans and Use of Proceeds" disclosed in the Prospectus.

XII. CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR RELEVANT RIGHTS

During the Year, the Company did not issue any convertible securities, share options, warrants or relevant rights.

XIII. FINAL DIVIDEND

The Board proposes not to declare a final dividend for the year ended 31 December 2025.

XIV. USE OF PROCEEDS FROM THE LISTING

The Company went listing on the Main Board of the Stock Exchange on the Listing Date and 10,585,400 new shares were issued at an offer price of HK$18.90 per share. After deducting underwriting commissions, fees and other expenses in relation to the Global Offering, the net proceeds from the listing amounted to approximately HK$164.15 million. Such proceeds from the listing have been and will be utilised according to the plans disclosed in the "Future Plans and Use of Proceeds" of the prospectus, with details as follows:

Use of Net Proceeds	Percentage of the Net Proceeds	Net Proceeds Utilized from Listing Date up to 31 December 2025 (in millions of HK$)	Expected Timeframe for Full Utilization of the Net Proceeds	Remaining Amount (in millions of HK$)
The production of isomalt in our Thailand Plant	21.3%	0	End of 2026	35.0
Production of seaweed dietary fiber and serine	55.3%	5.6	End of 2026	85.2
Enhancement of our R&D capabilities	13.4%	0.9	End of 2026	21.1
Working capital and general corporate purposes	10.0%	16.4	End of 2026	0
Total	100%	22.9	End of 2026	141.3

The expected timetable for the utilization of the unutilized net proceeds is based on the Board's best estimates of business market conditions. It may be subject to change pursuant to market conditions. The Company will make further announcements in due course regarding any changes to the timetable, if any, in compliance with the requirements of the Listing Rules to provide updated information to its Shareholders and potential investors.

XV. MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the total revenue attributable to the Group's five largest customers accounted for 54.5% of the Group's total revenue.

Our suppliers primarily comprise suppliers of Raw materials suppliers and utility providers. The aggregate purchases attributable to the Group's largest supplier for the Year accounted for approximately 13.2% (2024: 9.6%) of the Group's total purchases. The aggregate purchases attributable to the Group's five largest suppliers for the Year accounted for approximately 39.4% (2024: 35.4%) of the Group's total purchases.

To the best knowledge of the Directors of the Company, none of the Directors or their associates or any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customer or suppliers during the Year.

DIRECTORS

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

Executive Directors

Mr. Wang Xiaoqiang *(Chairman and general manager)*
Mr. Wang Hao *(Deputy general manager)*
Ms. Chen Lijun *(Chief financial officer)*
Mr. Wu Dingfeng
Ms. Zuo Yue

Non-executive Director

Mr. Xiao Fan

Independent non-executive Directors

Dr. Song Jingjin
Dr. Li Ling
Mr. Lo Kwing Yu

Details of the emoluments of the Directors and chief executive are set out in Note 12 to the consolidated financial statements.

DIRECTOR

Executive Directors

Mr. Wang Xiaoqiang (王小強), aged 68, is the chairman of our Board, our executive Director, our general manager and one of our Controlling Shareholders. He is also the chairperson of our Nomination Committee. Mr. Wang is primarily responsible for the overall strategic planning, technical development, major decision making and management of our Group's business development and operations. Mr. Wang also serves as a director of certain members of our Group, namely Newtrend Health, Nanchang Newtrend, Jiangxi Ansun, NTFC (HK) Co., Limited (新琪安(香港)有限公司), Newtrend Nutrition, PT. NTFC Trading Indonesia and Newtrend Thailand.

Mr. Wang has more than 20 years of experience in the food additives manufacturing industry. Prior to founding our Group, Mr. Wang had first served as a section member then as asection chief at Jinggangshan Economic and Trade Commission* (井岡山市經濟貿易委員會) from 1981 to 1989. From 1990 to 1992 and from 1992 to 1999, Mr. Wang worked as a factory manager at Jinggangshan Electronic Materials Factory* (井岡山電子材料廠) and Jiangxi Electronic Computer Factory* (江西電子計算機廠), respectively. From 1998 to 1999, Mr. Wang served as the general manager of Jiangxi Feihong Electronic Technology Co., Ltd.* (江西飛虹電子科技股份有限公司). From 1999 to 2000, Mr. Wang served as the general manager of Xiamen Haide Co., Ltd.* (廈門海德有限公司). Mr. Wang served as the general manager at Newtrend Industrial from 2001 to 2006. Mr. Wang founded our Group in December 2003 and has been working in our Company and other members of our Group for the production and sale of food additives since December 2003.

Mr. Wang obtained his postgraduate diploma in Business Management from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) (currently known as University of Chinese Academy of Social Sciences (中國社會科學院大學)) in July 1998. Mr. Wang was qualified as a senior economist by the Jiangxi Provincial Title Reform Leading Group* (江西省職稱改革領導小組) in October 1997.

Mr. Wang is the father of Mr. Wang Hao, a cousin of Mr. Wu Dingfeng and an uncle of Ms. Zuo Yue.

Mr. Wang Hao (王皓), aged 36, is our executive Director and deputy general manager. Mr. Wang Hao is primarily responsible for the sales promotion of our products to domestic and overseas markets and the development of new products. Mr. Wang Hao also serves as a director of certain members of our Group, namely Newtrend Nutrition, PT. NTFC Trading Indonesia, Newtrend Europe and Newtrend Thailand.

Mr. Wang Hao has more than 10 years of experience in the food additives manufacturing industry. Prior to joining our Group, Mr. Wang Hao was employed as a product manager by Prinova USA LLC, a company principally engaged in the provision of integrated solutions such as nutrient premixes and particle management services, from June 2012 to March 2013.

Mr. Wang Hao obtained a bachelor's degree in Finance in June 2010 from Shenzhen University in the PRC. Mr. Wang Hao then obtained a master's degree in Business Administration in May 2012 from Rensselaer Polytechnic Institute in the USA and a master's degree in Science in August 2017 from the University of Southern California in the USA. In May 2019, Mr. Wang Hao obtained a master's degree in Professional Studies in Food Science from Cornell University in the USA.

Mr. Wang Hao is the son of Mr. Wang Xiaoqiang.

Ms. Chen Lijun (陳麗君), aged 60, is our executive Director and chief financial officer. She is also a member of our Remuneration Committee. Ms. Chen is responsible for overseeing our financial reporting, financial planning and financial control matters.

Ms. Chen has more than 20 years of experience in accounting and finance. Prior to joining our Group, Ms. Chen worked at Jiangxi Electronic Computer Factory* (江西電子計算機廠)from August 1985 to December 2000, with her last position as the chief accountant. From January 2001 to December 2003, Ms. Chen served as the chief accountant of Jiangxi Hongsheng Equipment Co., Ltd.* (江西紅聲器材有限公司). Ms. Chen served as the chief financial officer of Newtrend Industrial from December 2003 to August 2006, where she was responsible for overseeing its financial reporting, planning and control matters.

Ms. Chen obtained an associate degree majoring in Accounting in June 1989 from Jiangxi University of Finance and Economics (江西財經大學) (formerly known as Jiangxi Finance and Economics Institution* (江西財經學院)) in the PRC. Ms. Chen is an accountant recognised by the Ministry of Finance of the PRC in November 1993.

Mr. Wu Dingfeng (吳丁峰), aged 52, is our executive Director. He is primarily responsible for overseeing and managing the operation of Xizang Newtrend. Mr. Wu also serves as an executive director of Xizang Newtrend, a member of our Group.

Mr. Wu has more than 15 years of experience in the food additives manufacturing industry. Prior to joining our Group, Mr. Wu worked as a sales manager at Jiangxi Nanguang Meter Electronics Factory* (江西南光儀表電子總廠) from August 1997 to October 2001. From October 2001 to March 2005, Mr. Wu worked at Shenzhen Anjie Electronics Co., Ltd.* (深圳安杰電子有限公司), where he was mainly responsible for its procurement business. Mr. Wu worked at Jiangxi Ansun from March 2005 to September 2006, where he was mainly responsible for administration and sales. Mr. Wu joined our Company in September 2006; he was responsible for sales work and is currently one of our executive Directors.

Mr. Wu obtained an associate degree majoring in English and Overseas Liberal Arts from Ji'an Normal College* (江西省吉安師範專科學校) in the PRC in July 1997.

Mr. Wu is a cousin of Mr. Wang Xiaoqiang.

Ms. Zuo Yue (左玥), aged 32, is our executive Director, joint company secretary and secretary of the Board. She is primarily responsible for financial planning and managing our Group's financial resources.

Ms. Zuo has more than eight years of experience in accounting. Ms. Zuo joined our Company as an assistant to the chief financial officer in July 2015.

Ms. Zuo graduated with bachelor's degree in Accounting in July 2015 from Canvard College, Beijing Technology and Business University (北京工商大學嘉華學院) in the PRC.

Ms. Zuo is a niece of Mr. Wang Xiaoqiang.

Non-executive Director

Mr. Xiao Fan (肖帆), aged 41, is our non-executive Director. He is primarily responsible for providing guidance and advice on the business strategies of our Group.

Mr. Xiao has over 10 years of experience in finance and corporate management. Since June 2012 and up to present, Mr. Xiao has served as the general manager of investment division I at Xinzheng Innovative Capital Management Co. Ltd.* (興證創新資本管理有限公司), a company principally engaged in the management of private investment funds. Mr. Xiao has also been a director of Jiangsu Changhong Intelligent Equipment Co. Ltd.* (江蘇長虹智能裝備股份有限公司) and Fujian Fiber Chain Technology Co. Ltd.* (福建纖鏈科技有限公司) since December 2021 and October 2022 respectively.

Mr. Xiao obtained a master's degree in Business Management in September 2021 from Xiamen University (廈門大學) in the PRC.

Independent non-executive Directors

Dr. Song Jingjin (宋京津), aged 54, was appointed as our independent Director in September 2022 and was re-designated as our independent non-executive Director in June 2024. Dr. Song is also the chairperson of our Audit Committee and Remuneration Committee and a member of our Nomination Committee. Dr. Song is responsible for participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

Dr. Song has more than 20 years of experience in accounting and finance. From December 2011 to November 2014, she was a postdoctoral fellow in business management at Fudan University (復旦大學). Dr. Song has served as a professor at Jiangxi University of Finance and Economics, School of Accountancy (江西財經大學會計學院) since March 2017. Since April 2022, Dr. Song has also served as an independent director of Suzhou Pharmavan Co., Ltd (蘇州滬雲新藥研發股份有限公司) (NEEQ stock code: 833464), a company primarily engaged in the development and production of innovative medicines for cardiovascular and autoimmune diseases.

Dr. Song obtained her doctoral degree in Accounting in December 2010 from Jiangxi University of Finance and Economics (江西財經大學) (formerly known as Jiangxi Finance and Economics Institution* (江西財經學院)) in the PRC. Dr. Song has been a non-practising member of the Jiangxi Province Institute of Certified Public Accountants since March 2010.

Dr. Li Ling (李玲), aged 39, was appointed as our independent Director in November 2021 and was re-designated as our independent non-executive Director in June 2024. Dr. Li is also a member of our Audit Committee and Nomination Committee. Dr. Li is responsible for participating in the decision making for our Company's significant events, and advising on issues relating to technology, research and remuneration and assessment of our Directors, Supervisors and senior management.

Dr. Li has more than nine years of experience in the chemical industry. Since October 2014, Dr. Li has been employed as a professional technician at Jiangxi Academy of Science, Institute of Applied Chemistry (江西省科學院應用化學研究所). Dr. Li obtained the Jiangxi Province Senior Professional and Technical Qualification Certificate* (江西省高級專業技術資格證書) from Jiangxi Provincial Occupational Title Office* (江西省職稱工作辦公室) in November 2023.

Dr. Li obtained her doctoral degree in Pesticide Science in June 2014 from Nankai University (南開大學) in the PRC.

Mr. Lo Kwing Yu (盧炯宇), aged 62, was appointed as our independent Director in May 2024 and was re-designated as our independent non-executive Director in June 2024. Mr. Lo is also a member of our Audit Committee and Remuneration Committee. Mr. Lo is responsible for participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, legal and remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Lo has served as an independent non-executive Director of Global Corn Group Limited (大成玉米集團有限公司) (previously known as Global Sweeteners Holdings Limited (大成糖業控股有限公司)) (Stock Code: 3889) since 2014.

Mr. Lo has more than 25 years of experience in the legal industry. Mr. Lo worked as an assistant solicitor at Messrs. Woo & Woo Solicitors from 1995 to 1996, at Messrs. Yen, Yu & Kong Solicitors from 1997 to 1999, and at Messrs. Clarke & Kong Solicitors from 2000 to 2002. Mr. Lo subsequently worked at Messrs. W. K. To & Co. Solicitors, with his last position as a partner from 2002 to 2010. Mr. Lo served as a consultant at Messrs. Y. T. Chan & Co. Solicitors from 2010 to 2017, and has first served as a consultant then as a partner at Messrs. Ho & Ip Solicitors since 2017.

Mr. Lo obtained a bachelor of social science from the University of Keele in July 1986. Mr. Lo was qualified as a solicitor of the United Kingdom in December 1994. Mr. Lo was qualified as a solicitor of Hong Kong in December 1995. In May 2015, Mr. Lo was also qualified as a solicitor of the Eastern Caribbean Supreme Court in the Territory of the Virgin Islands.

SUPERVISORS

Mr. Shi Yueqiang (施越強), aged 60, has been the chairman of the Supervisory board since November 2017. Mr. Shi joined our Group as a deputy general manager of our Company in May 2010 and is currently the director of president's office of our Company. Mr. Shi is responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties.

Mr. Shi has more than 10 years of experience in the food additives manufacturing industry. Mr. Shi worked as the deputy general manager of our Company from May 2010 to May 2017. Mr. Shi then worked as the executive director and general manager of Xizang Newtrend from July 2017 to February 2024.

Mr. Shi obtained a bachelor's degree in Mechanical Manufacturing Processes and Equipment in July 1987 from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Institute of Technology* (華中工學院)) in the PRC.

Mr. Liu Huojin (劉欽金), aged 51, has been an employees' representative Supervisor since December 2023. Mr. Liu has been working as the workshop manager of our Company since May 2008. Mr. Liu is responsible for monitoring financial position of our Group, and supervising the performance of our Directors and senior management as a representative of our employees.

Mr. Liu has more than 20 years of experience in the manufacturing industry. Prior to joining our Group, Mr. Liu was an employee of Caisheng Ceramics Factory* (採聲陶瓷廠) from July 1997 to March 2002. From June 2002 to December 2007, Mr. Liu worked as a workshop manager at Gelama Craft Factory* (葛拉瑪工藝品廠).

Mr. Liu obtained his high school diploma in July 1989 from Ji'an County Secondary School* (吉安縣立中學) in the PRC.

Mr. Mao Yu (毛煜), aged 32, has been a Supervisor since 20 January 2026.

Mr. Mao has been working as an investment promotion specialist at Ji'an Industrial Investment Co., Ltd.* (吉安市工業投資有限公司) since August 2024, and he has been appointed as a director at He Win Hong Kong Holdings Co., Limited (合贏香江控股有限公司) since May 2025. Mr. Mao also has the following working experience: From January 2018 to March 2019, he was employed by Guangzhou Bangpin Intellectual Property Agency Co., Ltd.* (廣州邦品知識產權代理有限公司) as an intellectual property consultant. He then served as an intellectual property consultant at Guangzhou Sino-Three Circles Patent & Trademark Agency Co., Ltd.* (廣州三環專利商標代理有限公司) from March 2019 to January 2020. From January 2020 to March 2024, he served as an agent at Shanghai Deyou Real Estate Consulting Co. Ltd* (上海德佑物業顧問有限公司). He possesses relevant work experience in corporate investment promotion and operations, real estate investment promotion, and intellectual property consulting.

Mr. Mao graduated and obtained his bachelor degree from Nanchang Institute of Science & Technology in Jiangxi Province, the PRC, in July 2017, specializing in automotive service engineering. Mr. Mao holds the Exam Pass Certificate for the Fund Qualification Examination (基金從業人員資格考試成績合格證) issued by the Asset Management Association of China.

Ms. Guo Lideng (郭麗燈) has been a Supervisor since November 2021 and resigned as a Supervisor effective from 20 January 2026.

SENIOR MANAGEMENT

Mr. Wang Xiaoqiang (王小強), aged 68, is an executive Director and general manager of our Company. Please refer to "Directors – Executive Directors" in this section for the details of his biography.

Ms. Chen Lijun (陳麗君), aged 60, is an executive Director and chief financial officer of our Company. Please refer to "Directors – Executive Directors" in this section for the details of her biography.

Mr. Wang Hao (王皓), aged 36, is an executive Director and deputy general manager of our Company. Please refer to "Directors – Executive Directors" in this section for the details of his biography.

Mr. Huang Donggen (黃冬根), aged 40, is the deputy general manager of our Company. He is primarily responsible for overseeing and managing the production and operation of our Group. Mr. Huang has over 10 years of experience in the food additives manufacturing industry. Mr. Huang joined our Group in January 2012 as the manager of the equipment and environmental protection department of our Company. Prior to joining our Group, Mr. Huang worked as an equipment engineer at Ji'an Youteli Technology Co., Ltd.* (吉安市優特利科技有限公司), a company principally engaged in the production and sales of lithium-ion cell and batteries, from July 2008 to November 2011.

Mr. Huang obtained a bachelor's degree in Biomedical Engineering from Nanchang Hangkong University (南昌航空大學) in the PRC in July 2008.

Mr. Wan Zhixin (萬智欣), aged 36, is the assistant to the general manager of our Company. He is primarily responsible for overseeing and managing the design, research and development of our Group. Mr. Wan has over 10 years of experience in the food additives manufacturing industry. Mr. Wan joined our Group in April 2012 as the manager of the technical quality department of our Company.

Mr. Wan graduated with a bachelor's degree in Chemistry in July 2012 from Jinggangshan University in the PRC and obtained a postgraduate degree in Applied Chemistry in June 2015 from Zhejiang University (浙江大學) in the PRC. Mr. Wan also obtained his senior secondary teacher qualification in chemistry from the Ji'an Education Bureau* (吉安教育局) in July 2012.

Mr. Zheng Mo (鄭莫), aged 43, was the secretary of the Board, deputy general manager and the joint Company Secretaries of our Company. He was primarily responsible for handling overall information disclosure and investor relationship of our Group. Mr. Zheng joined our Group in August 2023 as the secretary of the Board. Mr. Zheng resigned as the secretary of the Board, deputy general manager and the joint Company Secretaries of our Company on 31 March 2026, due to personal development reasons.

JOINT COMPANY SECRETARIES

Ms. Zuo Yue (左玥) has been our joint Company Secretaries since 1 April 2026. Please refer to "Directors – Executive Directors" in this section for the details of her biography.

Ms. Cheung Hin Kiu (張顯翹) was appointed as our joint Company Secretaries on 1 April 2026. Ms. Cheung is a senior manager of corporate secretarial services at Tricor Services Limited (a member of Vistra Group). Ms. Cheung has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Cheung is a Chartered Secretary and a Chartered Governance Professional and a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a member of The Association of Chartered Certified Accountants.

Mr. Zheng Mo (鄭莫), was appointed as our joint Company Secretaries in June 2024, effective from 22 May 2025, and resigned as the joint Company Secretaries effective from 31 March 2026. Please refer to "Senior Management" in this section for details of his biography.

Ms. Wong Wai Yee Ella (黃慧兒) was appointed as our joint Company Secretaries in June 2024, effective from 22 May 2025, and resigned as the joint Company Secretaries effective from 1 April 2026. Ms. Wong is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

DIRECTORS' REPORT

The Board is pleased to present its annual report and the audited consolidated financial statements of the Group for the Year.

I. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

The Company was established in China on 8 September 2006 as a limited liability company and converted into a joint stock limited liability company on 4 December 2017. The Company's H Shares have been listed on the Main Board of Stock Exchange on 10 June 2025. The Company is principally engaged in the manufacturing and sale of food-grade glycine, industrial-grade glycine and sucralose.

II. RESULT

The Group's result for the Year is presented in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

III. BUSINESS REVIEW AND PROSPECTS

A review of the Group's business for the Year and a discussion on its future business development set out in the section "Management Discussion and Analysis", and major financial result indicators set out in the "Management Discussion and Analysis" section. The Group's financial risk management objectives and policies set out in Note 42 to the consolidated financial statements. There was no material event affecting the Group from the end of the Year up to the date of this annual report that have materially affected the Group's operational and financial result.

IV. KEY RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's basic risk management policies are to identify and analyze various risks faced by the Group, establish appropriate risk tolerance thresholds, conduct risk management, and monitor various risks in a timely and reliable manner, so as to keep them within defined limits.

I. International Trade Policy and Trade Barriers

Based on the destination of delivery, a substantial amount of our products is sold to customers in overseas markets, primarily in Europe, North America and Asia. As such, our operational results and profitability are more correlated with the demand and macroeconomic conditions in Europe, North America and Asia.

Among the countries where we sell our products, the US has consistently advocated tightening overall trade restrictions and significantly increasing tariffs on goods exported to the US. From April 2025, the U.S. government has constantly introduced the US Reciprocal Tariff on goods exported to the US from the PRC, Indonesia, Thailand and other countries, while one of the Group's major products, sucralose, was not subject to the US Reciprocal Tariff, since sucralose falls under the exemption under Annex II concerning the reciprocal tariff. Therefore, the US Reciprocal Tariff is expected to have only non-material adverse impacts on our overseas sales of glycine to the US. We will closely monitor the latest developments of tariff policies of the U.S. government and engage with our customers to discuss response strategies to the changes in U.S. tariffs.

In response to the volatility of trade policies, the Group will continue to enhance the production capacity of its overseas plants and maintain stable and long-term business relationships with customers. The Group offers DDP terms to overseas customers, is responsible for arranging transportation and related costs, including handling customs clearance for export and preparing the customs documents required for the destination port specified by the overseas customers. We believe that our capability to provide DDP delivery terms enables us to stand out among industry players.

II. Health, Safety and Environmental Risks

The health and safety risks faced by the Group include major safety accidents resulting in heavy casualties, new occupational disease incidents, environmental pollution incidents, or inadequate staffing of dedicated employees for safety management. The Group has implemented occupational health and safety policies, such as conducting health and safety training, emergency drills, regularly inspecting and maintaining production facilities, and establishing a safety production responsibility mechanism, to clarify the safety responsibilities of each department and workshop, and establish standardized safety management systems. In the course of business operation, all employees of the Group must strictly comply with all safety measures and procedures designed by the Group. The Group will continuously optimize its risk management and control system, strengthening source management to establish a robust safety and environmental protection barrier for the Group's operational development.

III. Currency Exchange Risk

The Group operates globally and is exposed to the foreign exchange risk. In its daily operations, the majority of the Group's revenues are denominated in USD, EUR, RMB, or THB. The Group's current liabilities are mainly denominated in RMB, and the Group mainly operates in the PRC. Therefore, it is exposed to foreign exchange risks due to various currency exchanges. These risks arise from future commercial transactions and recognized assets and liabilities. With regard to the foreign exchange risks arising from future settlements of customer funds related to its global payment services, the Group believes that, as customer funds and other payables are primarily denominated in their respective functional currencies, its operations in China or overseas will not face any significant foreign exchange risks. In 2025, the Group does not have a foreign currency hedging policy for foreign currency transactions, assets and liabilities. The Group will review its foreign exchange risks periodically and use derivative financial instruments to hedge against such risks, when necessary.

IV. Human Resource Risk

The Group heavily depends on the experience and knowledge of its key executives and senior management team to formulate business strategies, maintain relationships with customers, drive product development, and oversee business operations. In the event of the departure of any key executive, it may be challenging to find a suitable replacement possessing a comparable background, experience and expertise. This could adversely affect our business, financial position and operating results. To attract and retain relevant personnel, the Group offers competitive compensation packages and benefits. The Group will prepare annual recruitment plans based on the Company's overall strategic planning and actual business needs, intensify efforts to attract talents, and supplement personnel shortages through campus recruitment and social recruitment.

V. SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 31 to the consolidated financial statements.

VI. BIOGRAPHIES Of DIRECTORS

Biographical details of the Directors, please refer to "Biographies of Directors, Supervisors and Senior Management" section in this annual report.

VII. CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and has thoroughly reviewed such confirmations. Pursuant to these confirmations, the Company considers all independent non-executive Directors to be independent continually.

VIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the non-executive Directors (including independent non-executive Directors) has entered into a letter of appointment with the Company for a term of three years commencing from 29 November 2024. None of the Directors proposed for election or re-election at the 2025 annual general meeting has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

IX. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

Save as disclosed below, as of 31 December 2025, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(1) Interests in our Company

Name	Position	Nature of interest	Class of Shares[1]	Number	Approximate percentage of shareholding interest in the total share capital (Approximate)	Approximate percentage of shareholding in our Domestic Shares/H Shares (Approximate)
Mr. Wang Xiaoqiang	Executive Director	Beneficial interest	Domestic Shares	5,923,286	6.16%	14.42%
		Interest in controlled corporation[2]	Domestic Shares	35,159,054	36.54%	85.58%
		Interests of spouse[3]	H Shares	5,803,817	6.03%	10.52%
Ms. Chen Lijun	Executive Director	Beneficial interest	H Shares	1,028,659	1.07%	1.87%

Notes:

(1) All interests are long positions.

(2) Newtrend Industrial is owned as to 50% by Mr. Wang Xiaoqiang and 50% by Ms. Ding Dan. By virtue of the SFO, Mr. Wang Xiaoqiang is deemed to be interested in the Shares held by Newtrend Industrial.

(3) Mr. Wang Xiaoqiang and Ms. Ding Dan are spouses. Juhexing Investment is a limited partnership controlled by Ms. Ding Dan as the sole general partner. Accordingly, by virtue of the SFO, Ms. Ding Dan is deemed to be interested in the Shares held by Juhexing Investment and Mr. Wang Xiaoqiang is deemed to be interested in the Shares indirectly held by Ms. Ding Dan through Juhexing Investment.

(2) Interests in associated corporations of the Company

Name	Position	Nature of interest	Name of associated corporation	Approximate percentage of interest in the associated corporation
Mr. Wu Dingfeng	Executive Director	Beneficial interest[(1)]	Juhexing Investment	3.04%
Mr. Shi Yueqiang	Supervisor	Beneficial interest[(2)]	Juhexing Investment	3.04%
Ms. Guo Lideng	Supervisor	Beneficial interest[(3)]	Juhexing Investment	1.52%

Notes:

(1) Mr. Wu Dingfeng is a limited partner of Juhexing Investment, holding approximately 3.04% of its partnership interests.

(2) Mr. Shi Yueqiang is a limited partner of Juhexing Investment, holding approximately 3.04% of its partnership interests.

(3) Ms. Guo Lideng is a limited partner of Juhexing Investment, holding approximately 1.52% of its partnership interests.

X. INTERESTS OF PERSONS OTHER THAN THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES AND UNDERLYING SHARES

As of 31 December 2025, the following persons other than the Directors, Supervisors and chief executive of the Company had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Nature of interest	Class of Shares[1]	Number	Approximate percentage of shareholding interest in the total share capital (Approximate)	Approximate percentage of shareholding in our Domestic Shares/H Shares (Approximate)
Mr. Wang Xiaoqiang[2][3][4]	Interest in controlled corporation	Domestic Shares	35,159,054	36.54%	85.58%
	Beneficial interest	Domestic Shares	5,923,286	6.16%	14.42%
	Interests of spouse	H Shares	5,803,817	6.03%	10.52%
Ms. Ding Dan[2][3][4]	Interest in controlled corporation	Domestic Shares	35,159,054	36.54%	85.58%
	Interest in controlled corporation	H Shares	5,803,817	6.03%	10.52%
	Interests of spouse	Domestic Shares	5,923,286	6.16%	14.42%
Newtrend Industrial[3]	Beneficial interest	Domestic Shares	35,159,054	36.54%	85.58%
Juhexing Investment[4]	Beneficial interest	H Shares	5,803,817	6.03%	10.52%
Shenzhen Guoxin Hongsheng Equity Investment Fund (Limited Partnership) ("Guoxin Hongsheng")[5]	Beneficial interest	H Shares	8,366,425	8.69%	15.17%
Shenzhen Taisheng Investment Management Enterprise (Limited Partnership) ("Taisheng Investment")[5]	Interest in controlled corporation	H Shares	8,366,425	8.69%	15.17%
Shenzhen Taisheng Junhe Investment Management Co., Ltd. ("Taisheng Junhe")[5]	Interest in controlled corporation	H Shares	8,366,425	8.69%	15.17%
Mr. Long Yong[5]	Interest in controlled corporation	H Shares	8,366,425	8.69%	15.17%
Mr. Huang Hui[5]	Interest in controlled corporation	H Shares	8,366,425	8.69%	15.17%

Name	Nature of interest	Class of Shares[1]	Number	Approximate percentage of shareholding interest in the total share capital (Approximate)	Approximate percentage of shareholding in our Domestic Shares/H Shares (Approximate)
Guangzhou Fuxing Investment Partnership (Limited Partnership) ("Fuxing Investment")[6]	Beneficial interest	H Shares	5,138,740	5.34%	9.32%
Ms. Chen Lin[6]	Interest in controlled corporation	H Shares	5,138,740	5.34%	9.32%
Industrial Capital Management Co., Ltd. ("Industrial Capital Management")[7]	Interest in controlled corporation	H Shares	9,796,753	10.18%	17.76%
Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership) ("Xingzheng Strategic Venture")[7]	Beneficial interest	H Shares	4,898,377	5.09%	8.88%
Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership) ("Xingzheng Saifu Investment")[7]	Beneficial interest	H Shares	3,876,255	4.03%	7.03%
Mr. Zhang Chaoyi	Beneficial interest	H Shares	3,672,268	3.82%	6.66%
Ms. He Qingfeng	Beneficial interest	H Shares	3,291,710	3.42%	5.97%

Notes:

(1) All interests are long positions.

(2) Mr. Wang Xiaoqiang and Ms. Ding Dan are spouses. Accordingly, Mr. Wang Xiaoqiang and Ms. Ding Dan are deemed to be interested in the Shares held by each other under the SFO.

(3) Newtrend Industrial is owned as to 50% by Mr. Wang Xiaoqiang and 50% by Ms. Ding Dan. By virtue of the SFO, each of Mr. Wang Xiaoqiang and Ms. Ding Dan is deemed to be interested in the Shares held by Newtrend Industrial.

(4) Juhexing Investment is a limited partnership controlled by Ms. Ding Dan as its sole general partner. By virtue of the SFO, each of Mr. Wang Xiaoqiang and Ms. Ding Dan is deemed to be interested in the Shares held by Juhexing Investment.

(5) Guoxin Hongsheng is a limited partnership established in the PRC and its general partner is Taisheng Investment. Taisheng Investment is also a limited partnership established in the PRC and its general partner is Taisheng Junhe, which is a limited liability company established in the PRC and is owned as to 65.4% by Mr. Long Yong (龍涌) and 34.6% by Mr. Huang Hui (黃暉). Accordingly, Mr. Long Yong and Mr. Huang Hui are deemed to be interested in the Shares held by Guoxin Hongsheng, Taisheng Investment and Taisheng Junhe.

(6) Fuxing Investment is a limited partnership established in the PRC and its general partner is Ms. Chen Lin (陳琳), who also serves as the supervisor of Newtrend Health. Accordingly, Ms. Chen Lin is deemed to be interested in the Shares held by Fuxing Investment.

(7) Industrial Capital Management is the sole general partner of Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership) ("Xingzheng Strategic Venture"), Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership) ("Xingzheng Saifu Investment") and Pingtan Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership)* (平潭興證賽富一股權投資合夥企業(有限合夥)) ("Xingzheng Saifu No. 1 Investment"). As of 31 December 2025, each of Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No. 1 Investment holds approximately 5.1%, 4.0% and 1.1% of the Shares in our Company, respectively. As such, Industrial Capital Management is deemed to be interested in the Shares held by Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No. 1 Investment.

Save as disclosed above, as of 31 December 2025, the Directors were not aware of any person (other than the Directors, Supervisors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

XI. INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

As of 31 December 2025, neither the Company nor any of its subsidiaries has entered into any material transactions, arrangements or contracts of significance in which any Director or Supervisor of the Company (or an entity connected with such Director or Supervisor) has a direct or indirect material interest during the reporting period.

XII. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time as of 31 December 2025 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

XIII. PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares). As of 31 December 2025, the Company did not hold any treasury shares.

XIV. SHARE SCHEME

The Company and its subsidiaries have not established any share schemes.

XV. CONNECTED TRANSACTIONS

Related Party Transactions

Details of the related party transactions of the Group are disclosed in note 38 to the consolidated financial statements.

Pursuant to Chapter 14A of the Listing Rules, the related party transactions as disclosed in note 38 to the consolidated financial statements are not deemed as connected transactions or continuing connected transactions.

In respect of the connected transactions conducted by the Group or the related party transaction constitute the connected transaction or continuing connected transaction as disclosed in this annual report, the Company has complied with the requirements of Chapter 14A of the Listing Rules during the Year.

XVI. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS AND MATERIAL CONTRACTS

Save as disclosed in Note 38 to the consolidated financial statements, (i) no material other transactions, arrangements or contracts relating to the business of the Group, in which a Director or a connected entity of a Director has a direct or indirect material interest, were entered into by the Company, its holding company or any of its subsidiaries, and were subsisting at the end of the Year or at any time during the Year; and (ii) no other material contracts (whether for the provision of services to the Group or otherwise) were entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the Year.

XVII. MANAGEMENT CONTRACTS

During the Year, no management or administrative contracts were entered into or remained in effect in relation to the overall business or any significant business segment of the Company.

XVIII. COMPETING BUSINESS

During the Year, none of the Directors or controlling shareholders and their respective associates had any interest in any business (other than the business of the Group) that competes or is likely to compete, directly or indirectly, with the business of the Group, nor did they have any other interests that conflict with those of the Group and that are required to be disclosed under Rule 8.10 of the Listing Rules.

XIX. EQUITY-LINKED AGREEMENTS

The Company did not enter into any equity-linked agreements during the Year.

XX. TAX EXEMPTIONS

The Company is not aware of any tax exemptions available to shareholders in respect of their shareholdings. If Shareholders are uncertain about the tax implications of purchasing, holding, selling, trading or exercising any rights in relation to the Shares, they are advised to consult their professional advisers.

XXI. PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum of association and articles of association, each Director is entitled to be indemnified out of the Company's assets against all actions, costs, charges, losses, damages and expenses that they may incur or sustain in the execution of their duties as Directors or in relation to other matters connected with the performance of their duties.

XXII. PRE-EMPTIVE RIGHTS

During the reporting period, pursuant to the provisions of Chinese laws and the Company's articles of association, there are currently no pre-emptive rights arrangements.

XXIII. SUFFICIENCY OF PUBLIC FLOAT

As of the date of this report, pursuant to publicly available information of the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required by the Listing Rules.

XXIV. CHARITABLE DONATIONS

The Group made no charitable donations during the Year (2024: 0).

XXV. DISTRIBUTABLE RESERVES

As of 31 December 2025, the Company had distributable reserves of RMB566 million, which were available for distribution to our equity shareholders. Details of the changes in reserves of the Group for the year ended 31 December 2025 are set out in Note 33 to the financial statements in this annual report.

XXVI. CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The CG Code set out in Part 2 of Appendix C1 to the Listing Rules has become applicable to the Company with effect from the Listing Date. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices since the Listing. Please refer to the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report of this annual report for details of compliance with the CG Code.

Details of the Corporate Governance Report are set out on pages 43 to 64 of this annual report.

XXVII. COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Year and up to the date of this report, the Group was not aware of any non-compliance with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects.

XXVIII. ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the key relationship s of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" of the Company.

XXIX. REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the annual results of the Group for the Year. The Audit Committee considers that the audited consolidated financial statements and annual results for the year ended 31 December 2025 have complied with the requirements of applicable accounting standards and laws and adequate disclosures have been made.

XXX. INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the years ended 31 December 2023, 2024 and 2025 have been audited by Confucius International CPA Limited which has been appointed as the independent auditor of the Group. There has been no change in the Company's independent auditor over the past three years.

By order of the Board
Wang Xiaoqiang
Chairman

Ji'an, PRC, 31 March 2026

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' values through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

I. CORPORATE GOVERNANCE PRACTICES

The Company has adopted and, save for the deviation from code provision C.2.1 of the CG Code as disclosed in this annual report, has complied with all applicable code provisions as set out in the CG Code throughout the period from the Listing Date to 31 December 2025.

Pursuant to provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate chairman and general manager, Mr. Wang, our chairman of the Board, executive Director and general manager, currently performs these two roles. The Board believes that the same person serving as both chairman and general manager is beneficial to the management of the Group. Mr. Wang has extensive experience in the food additive manufacturing industry and has been employed by the Company since its establishment. Therefore, he is the most suitable Director to lead the overall management, business operations, strategic development, and R&D of the Group. The Board, Supervisors, and senior management are composed of experienced and visionary persons, whose operations ensure a balance of power and authority. The Board currently consists of five executive Directors (including Mr. Wang), one non-executive Director, and three independent non-executive Directors, ensuring sufficient independence in its composition.

The Board will continue to review and consider the separation of the roles of chairman and chief executive officer of the Company in light of the overall situation of the Group. Save as the disclosures above, the Company intends to comply with all code provisions under the Corporate Governance Code.

II. MISSION, VISION AND STRATEGY

The Company is committed to becoming the world's leading producer of healthy food ingredients, creating value for customers, making people healthier and working harder for a better life.

III. CORPORATE CULTURE

Three Principles of Conduct

Integrity, Respect, Responsibility

Three Principles of Action

Diligence, Efficiency, Innovation

IV. BOARD

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities.

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the articles of association. The Board has established Board committees and has delegated to these Board committees' various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board, co-ordinating the daily operation and management of the Company and other duties assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

As at the date of this annual report, the Board comprises the following nine Directors, of which the independent non-executive Directors in aggregate represent 33.3% of the Board members:

Executive Directors

Mr. Wang Xiaoqiang *(Chairman and general manager)*
Mr. Wang Hao *(Deputy general manager)*
Ms. Chen Lijun *(Chief financial officer)*
Mr. Wu Dingfeng
Ms. Zuo Yue

Non-executive Director

Mr. Xiao Fan

Independent non-executive Directors

Dr. Song Jingjin
Dr. Li Ling
Mr. Lo Kwing Yu

Each of Directors of the Company has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange prior to the Listing Date in June 2025, and he/she has confirmed he/she understood his/her obligations as a director of a listed issuer.

Biographical details of the Directors, please refer to "Biographies of Directors, Supervisors and Senior Management" section in this annual report.

Mr. Wang Xiaoqiang, the Chairman, executive Director and general manager, is the father of Mr. Wang Hao, the executive Director and deputy general manager; the cousin of Mr. Wu Dingfeng, the executive Director; and the uncle of Ms. Zuo Yue, the executive Director. Save as disclosed above, there was no financial, business, family or other material relationships among the Directors during the Year.

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors will continue to make various contributions to the Company.

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

The Company has received an annual confirmation of independence in writing from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation and not aware of any adverse event, the Company considers that all the independent non-executive Directors are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Board Independence

The Board has established mechanism to ensure independent view and input are available to the Board when it discharges its duties. Such mechanism includes:

1. Assessment of independence and qualification of potential Director candidate by the nomination Committee before recommendation is made to the Board;

2. Annual evaluation of training sessions undertaken by each of the Director during the financial year;

3. Obtaining advice from external advisers when and where required; and

4. A Director (including an independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall abstain from voting or be counted in the quorum on any Board resolution approving the same.

The Board conducts an annual evaluation of its performance and it is of the view that the board has diligently discharged its duties for the year.

Directors' Induction and Continuous Professional Development

Directors will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company from time to time fund and arrange suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, during the Year, all Directors have enhanced their understanding by reading materials related to corporate governance, Directors' duties, the Listing Rules and other relevant regulations, and/or by participating in training sessions.

The records of training received by the Directors throughout the Reporting Period is summarized below:

Directors	Training
Executive Directors	
Mr. Wang Xiaoqiang	✓
Mr. Wang Hao	✓
Ms. Chen Lijun	✓
Mr. Wu Dingfeng	✓
Ms. Zuo Yue	✓
Non-executive Director	
Mr. Xiao Fan	✓
Independent non-executive Directors	
Dr. Song Jingjin	✓
Dr. Li Ling	✓
Mr. Lo Kwing Yu	✓

Before the Listing, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

Meetings and Directors' Attendance Records

Board meetings are classified as regular meetings and extraordinary meetings. The Board is scheduled to hold at least four meetings each year, approximately once every quarter, to be convened by the Chairman. For regular Board meetings, a notice shall be issued to Directors no less than fourteen days prior to the meeting. For extraordinary meetings, a notice shall be issued no less than three days in advance. The notice period requirements specified in the above clauses may be waived with the unanimous consent of all Directors of the Company. In the event of an emergency requiring the prompt convening of an extraordinary Board meeting, a meeting notice may be issued at any time via telephone or other oral means (without being subject to the above minimum three-day notice period), provided that the convener shall provide an explanation at the meeting.

The matters considered by the Board and Board committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board committees meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. The minutes of the Board shall be kept as company records for a period of not less than ten years.

The Board held seven meetings during the Year.

One general meeting of the Company was held during the Year.

The attendance of each Director at the Board meetings and the general meeting held during the Year is as follows:

Name of Directors	No. of Attendance/ No. of Board Meetings	No. of Attendance/ No. of General Meeting
Mr. Wang	7/7	1/1
Mr. Wang Hao	7/7	1/1
Ms. Chen Lijun	7/7	1/1
Mr. Wu Dingfeng	7/7	1/1
Ms. Zuo Yue	7/7	1/1
Mr. Xiao Fan	7/7	1/1
Dr. Song Jingjin	7/7	1/1
Dr. Li Ling	7/7	1/1
Mr. Lo Kwing Yu	7/7	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Year.

The independent non-executive Directors and non-executive Director have attended general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

Board Diversity Policy

The Board has adopted a policy relating to Board diversity and discussed all measurable objectives set for implementing the same.

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of our Board. It provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the board diversity policy, our Nomination Committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. The ultimate decision of the appointment will be based on merits and the contribution which the selected candidates will bring to our Board.

Our Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. Our Nomination Committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. Our Board comprises five male members and four female members, with five executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board has a balanced mix of experiences and industry background, including industry experiences in food additives manufacturing, chemistry, accounting and management, and human resources. Our independent non-executive Directors have a diverse education background and industry background in chemistry, legal, accounting and human resources, and have obtained professional qualifications.

Taking into account our Company's business model and the background and abilities of the Directors, we believe the composition of our Board satisfies the board diversity policy. Our Company will continue to take steps to promote gender diversity at all levels of our Group, including at the senior management level. Our Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

V. GENDER DIVERSITY OF THE GROUP

The Company is committed to promoting gender diversity within the Board and across the entire workforce. At the end of the reporting period, the Group had total of 636 employees, comprising 479 males (approximately 75.3%) and 157 females (approximately 24.7%). Through the Group's recruitment system, we will continue to foster gender diversity.

VI. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang, our chairman of the Board, executive Director and general manager, currently performs these two roles. The Board believes that the same person serving as both Chairman and General Manager is beneficial to the management of the Group. Mr. Wang has extensive experience in the food additive manufacturing industry and has been employed by the Company since its establishment. Therefore, he is the most suitable Director to lead the overall management, business operations, strategic development, and R&D of the Group. The Board, Supervisors, and senior management are composed of experienced and visionary persons, whose operations ensure a balance of power and authority. The Board currently consists of five executive Directors (including Mr. Wang), one non-executive Director, and three independent non-executive Directors, ensuring sufficient independence in its composition.

As all major decisions are made in consultation with all the Board members who meet on a regular basis to review the operations of the Group and shall be approved by a majority vote of the Board, with the three independent non-executive Directors on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and consider the separation of the roles of Chairman and Chief Executive Officer of the Company in light of the overall situation of the Group.

VII. BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. All Board committees of the Company have been established with clear written terms of reference specifying their powers and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are published on the websites of the Company and Stock Exchange.

Audit Committee

The Audit Committee was established with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Dr. Song Jingjin, Dr. Li Ling and Mr. Lo Kwing Yu. Dr. Song Jingjin is the chairperson of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

1. **Appointment and Management of External Auditor:** Review the performance of the external auditor annually, make recommendations to the Board regarding appointment, reappointment, dismissal, audit service fees and engagement terms, and handle matters related to its resignation or dismissal;

2. **Monitoring the Independence and Audit Effectiveness of External Auditor:** Evaluate, pursuant to applicable standards, whether the external auditor is independent and objective, and whether the audit procedures are effective. Discuss with it the nature, scope, methodology, and reporting responsibilities of the annual audit prior to its commencement;

3. **Regulating Non-Audit Services:** Establish and enforce policies for non-audit services provided by the external auditor (including its affiliates) to ensure that such services do not compromise their independence or objectivity. Considerations include the firm's capability and experience, preventive measures, service fee levels (both individually and collectively), and the remuneration standards for the auditor. Report to the Board and recommend actions if improvements are identified;

4. **Reviewing Financial Reporting and Accounting Policies:** Examine the Company's accounting policies, financial condition, financial reporting procedures and financial controls; review the completeness, accuracy and fairness of quarterly reports (if any), half-yearly and annual reports, as well as financial disclosures. Specifically review changes in accounting policies, significant judgments, major adjustments, going concern assumptions, and compliance; communicate with the Board, management, and internal and external auditors; hold at least two meetings annually with the external auditor; study significant or unusual items in reports and accounts; and

5. **Monitoring Internal Control and Risk Management Systems:** Examine financial policies, internal audit systems, internal controls and risk management systems, and make recommendations for improvement. This includes:

   - Monitoring the production process of regular financial reports (quarterly, half-yearly, annual) and reviewing relevant information;

   - Discussing with management and evaluating the effectiveness of financial controls, internal controls, and risk management systems (including resources, staff qualifications, training and budget for the financial reporting function);

   - Studying significant internal control investigation findings and management's response measures;

- Coordinating the work of the internal control and internal audit departments with the external auditor to ensure they have sufficient resources, authority and standing, and reviewing their effectiveness;
- Reviewing the financial and accounting policies and practices of the Company and its subsidiaries;
- Reviewing the external auditor's management letter, significant queries, and management's responses;
- Ensuring timely responses from the Board to the external auditor's management letter;
- Checking the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report;
- Completing other tasks assigned by the Board.

During the Year, the Audit Committee held two meetings to review, in respect of the year ended 31 December 2025, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls and the effectiveness of the risk management and internal control systems and internal audit function.

The attendance of each Director in the capacity of a member of the Audit Committee at the meetings held during the Year is as follows:

Name of Directors	No. of Attendance/ No. of Meetings
Dr. Song Jingjin	2/2
Dr. Li Ling	2/2
Mr. Lo Kwing Yu	2/2

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two independent non-executive Directors, namely Dr. Song Jingjin and Mr. Lo Kwing Yu, and an executive Director, Ms. Chen Lijun. Dr. Song Jingjin is the chairperson of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

1. **Formulate Remuneration Policies and Structures:** Based on the job scope, responsibilities, significance of the positions held by Directors, Supervisors, and senior management, remuneration levels in comparable enterprises, time commitment, and employment conditions for other positions within the Group, make recommendations to the Board regarding the overall remuneration policies and structures (including performance evaluation criteria, procedures, reward and penalty schemes, etc.), oversee their implementation, and establish a formal and transparent remuneration determination process;

2. **Review and Approve Management Remuneration Proposals:** Review and approve management's remuneration proposals pursuant to the corporate policies and objectives established by the Board;

3. **Determine Remuneration Packages for Individual Directors, Supervisors, and Senior Management:** Recommend to the Board the remuneration packages (including non-monetary benefits, pension rights, and compensation amounts for departure or termination of appointment) for individual executive Directors, Supervisors, and senior management, as well as the remuneration for non-executive directors;

4. **Review and Approve Compensation for Departure or Termination of Appointment:** Ensure that compensation paid to executive directors, supervisors, and senior management for loss or termination of office is in accordance with contractual terms;

5. **Review and Approve Compensation Arrangements for Dismissal Due to Misconduct:** Ensure that compensation arrangements for dismissal or removal of directors due to misconduct are consistent with contractual terms; if not, the compensation shall still be reasonable and appropriate;

6. **Avoid Conflicts of Interest:** Ensure that no director or their associates (as defined in the Listing Rules) participate in determining their own remuneration; the remuneration of non-executive Directors who are also members of the Remuneration Committee shall be determined by the other members of the Committee;

7. **Review Matters Related to Share Schemes:** Review and/or approve matters related to share schemes as described in Chapter 17 of the Listing Rules, where applicable; and

8. **Other Matters Authorized by the Board:** Handle other related tasks assigned by the Board.

During the Year, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management.

The attendance of each Director in the capacity of a member of the Remuneration Committee at the meetings held during the Year is as follows:

Name of Directors	No. of Attendance/ No. of Meetings
Dr. Song Jingjin	1/1
Mr. Lo Kwing Yu	1/1
Ms. Chen Lijun	1/1

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises two independent non-executive Directors, namely Dr. Song Jingjin and Dr. Li Ling, and an executive Director, Mr. Wang Xiaoqiang. Mr. Wang Xiaoqiang is the chairperson of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

1. **Research and formulate selection criteria and procedures for Directors and senior management:** Make recommendations to the Board, taking into account factors such as cultural background, educational qualifications and professional experience;

2. **Search for and identify qualified Director candidates:** Provide nomination recommendations to the Board, review and advise on candidates for the Company's Directors (especially the Chairman);

3. **Search for and identify qualified senior management candidates:** Review and advise on candidates for the company's senior management (especially the general manager);

4. **Review the independence of independent non-executive Directors**;

5. **Review the Board's structure, size and composition:** Conduct at least an annual review of the Board's skills, knowledge, and experience, and make recommendations to the Board to align with changes in the Company's strategy. Evaluate the structure of the Board's subcommittees, recommend directors for appointment to relevant subcommittees, and submit for Board approval;

6. **Establish a reserve plan for directors and senior management**, and keep it updated regularly;

7. **Evaluate the performance of directors:** Based on the evaluation results, provide opinions or recommendations on the replacement, reappointment, or succession of directors (including the Chairman and chief executive officer);

8. **Develop and review the Board diversity policy:** Implement the diversity policy adopted by the Board where appropriate, review progress towards achieving the objectives, and disclose the relevant policy or a summary thereof in the Company's annual report; and

9. **Other authorized matters:** Handle other matters as stipulated by relevant applicable laws, administrative regulations, departmental rules, regulatory documents, the Listing Rules, and the Company's articles of association, and those authorized by the Board.

During the Year, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to review the Board Diversity Policy and Director Nomination Policy.

The attendance of each Director in the capacity of a member of the Nomination Committee at the meeting held during the Year is as follows:

Name of Directors	No. of Attendance/ No. of Meetings
Mr. Wang Xiaoqiang	1/1
Dr. Song Jingjin	1/1
Dr. Li Ling	1/1

VIII. CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions as set out in code provision of the CG Code, which include:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

IX. DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from 29 November 2024. Each of the independent non-executive Directors and the non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 29 November 2024. None of the Directors has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

All the Directors, including independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and shall be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

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

X. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 12 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report for the Year by band is set out below:

Remuneration band (in RMB)	Number of individuals
RMB1,000,000 or below	6
RMB1,000,000 or above	0

XI. INDEPENDENT AUDITOR'S REMUNERATION

During the Year, Confucius International CPA Limited and Pan-China Certified Public Accountants LLP ("Pan-China") were appointed as the Group's independent auditor.

During the Year, the remuneration paid/payable to Pan-China for audit and non-audit services is set out below:

Services Rendered	Remuneration Paid/Payable RMB'000
Audit service	
– statutory audit service	1,800
Non audit service	0
	1,800

XII. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the Year.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Pan-China has stated in the independent auditor's report its reporting responsibilities on the Group's consolidated financial statements for the Year.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. Internal audit function of the Company has been carried out under the leadership of the Board and the Audit Committee.

It is the responsibility of our Board to ensure that our Group maintains sound and effective internal controls to safeguard the Shareholders' investments and our Group's assets at all times. We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

(I) Financial reporting risk management

We have established accounting policies in connection with our financial reporting risk management. We have also implemented our financial reporting management system to safeguard the implementation of our accounting policies. In addition, we provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our operations.

(II) Regulatory compliance and legal risk management

We have established and implemented strict internal procedures to ensure our compliance with the relevant laws and regulations, in particular, on anti-fraud, anti-corruption, anti-money laundering and conflict of interest. We require our employees, especially those involved in procurement, sales and marketing, which are more susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to our Company. We have provided and will provide regular anti-corruption and anti-bribery compliance training for our Directors, senior management and employees in order to enhance their knowledge and compliance of applicable laws and regulations. We also communicate our anti-bribery and anti-corruption principles to our customers and suppliers.

Going forward, we will continually improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. After Listing, our compliance adviser will advise us on compliance matters in relation to the Listing Rules. All Directors and employees will be required to attend training to refresh their understanding of relevant regulatory requirements and our policies at least annually. We will also retain legal advisers to advise us on compliance with applicable laws and regulations.

(III) Internal control risk management

In preparation for Listing, our Group engaged an independent internal control adviser ("IC Consultant") to review the overall adequacy of our risk management and internal control systems associated with the major business processes of our Group and the other relevant procedures, systems and controls (including accounting and management systems) we have established. The Board believes that during the Year, we have taken actions to improve our risk management and internal control systems.

(IV) Anti-Fraud, Anti-Money Laundering and Anti-Bribery

The Company has established the "Anti-Fraud, Anti-Money Laundering and Anti-Bribery Management System", which defines fraudulent, money laundering and bribery behaviors, clarifies the relevant responsibilities of the supervisory departments for the anti-fraud, anti-money laundering and anti-bribery mechanisms, and specifies the reporting acceptance channels and punishment measures for relevant matters. At the same time, the Company has clearly stated the channels for complaints, reports and appeals in the employee handbook. The audit department and the management have access to this email serving as the internal reporting channel for employees.

XIV. DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the SFC in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretary and the chief financial officer of the Company are authorised to communicate with parties outside the Group.

XV. SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct governing the securities transactions by the Directors. The Company made specific enquiry of all Directors and they confirmed that they had complied with the required standard set out in the Model Code throughout the period from the Listing Date up to the date of this annual report.

XVI. JOINT COMPANY SECRETARIES

The joint company secretaries are Ms. Zuo Yue and Ms. Cheung Hin Kiu. Biographical details of Ms. Zuo and Ms. Cheung set out in the section "Biographies of Directors, Supervisors and Senior Management" of this annual report.

Mr. Zheng Mo and Ms. Wong Wai Yee Ella resigned as joint company secretaries of the Company on 31 March 2026 and 1 April 2026, respectively. Mr. Zheng and Ms. Wong each confirmed that there were no disagreements between them and the Board, and that there were no matters relating to their resignations that required the attention of the Company's Shareholders or the Stock Exchange.

All members of the Board can have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. Zuo Yue has been designated as the primary contact person at the Company which would work and communicate with Ms. Cheung Hin Kiu on the Company's corporate governance and secretarial and administrative matters.

For the Year, Mr. Zheng Mo and Ms. Wong Wai Yee Ella have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

XVII. SHAREHOLDERS' RIGHTS

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and extraordinary general meetings. At the annual general meetings, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at shareholders' meetings, including the election of individual Director. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each shareholders' meeting.

Procedures for Putting Forward Proposals at Shareholders' Meetings

Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at Shareholders' meeting. Proposals may be sent to the Board or the company secretary by written requisition.

The Company convenes a general meeting, during which the Board, the board of Supervisors and Shareholders individually or jointly holding more than 3% of the Company's shares have the right to submit proposals to the Company. Shareholders individually or jointly holding more than 3% of the Company's shares may submit interim proposals in writing to the convener ten days prior to the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receiving the proposal, announcing the content of the interim proposal. Except as provided in the preceding paragraph, after issuing the notice of the general meeting, the convener shall not amend the proposals already listed in the notice or add new proposals. Proposals not listed in the notice of the general meeting or not in compliance with Article 57 of the Company's articles of association shall not be voted on or resolved upon at the general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholders individually or jointly holding more than 10% of the Company's Shares have the right to request the Board to convene an extraordinary general meeting, and such request shall be made in writing to the Board. The Board shall give a written response as to whether or not it agrees to convene such an extraordinary general meeting within 10 days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and the articles of association.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant Shareholders. If the Board does not agree to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of the request, the Shareholder(s) individually or collectively holding more than 10% of the Shares of our Company shall have the right to propose to the board of Supervisors to convene the extraordinary general meeting. Such request shall be made to the board of Supervisors in writing.

If the board of Supervisors agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant Shareholders.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the principal place of business of the Company in Hong Kong at 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. The matters within the Board's purview to the executive Directors;

2. The matters within a Board committee's area of responsibility to the chairperson of the appropriate committee; and

3. Ordinary business matter, such as suggestions, enquiries and customer complaints to the appropriate management of the Company.

XVIII. DIVIDEND POLICY

The Company implements an active dividend distribution policy, emphasizing reasonable investment returns for investors while also taking into account the Company's sustainable development. Based on the Company's profitability and the actual needs of its future business development strategy, a mechanism for providing consistent and stable returns to investors has been established.

Pursuant to the Company's articles of association, all applicable laws and regulations, and the following factors, the Board has the authority to declare and distribute dividends to the Company's Shareholders. When the Company is in good financial health and the Board believes that the Company's stock price does not align with its capital structure, and that issuing stock dividends would be in the best interests of all Shareholders, the Board may propose a stock dividend distribution plan, provided that the conditions for cash dividends mentioned above are met. When the Company decides to distribute profits in the form of stock, cash or a combination of both, such decision shall be approved by more than two-thirds of the voting rights held by Shareholders present at the general meeting.

The Board shall also take into account the following factors when considering the declaration of dividends:

– financial results;

– cash flow situation;

– business conditions and strategies;

– future operations and revenue;

– capital requirements and expenditure plans;

– interests of Shareholders;

– any restrictions on payment of dividends; and

– any other factors that the Board may consider relevant.

The Company distributes dividends in the form of cash, stock dividends or a combination of both, with a preference for cash distribution.

As of 31 December 2025, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

XIX. COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, circulars, annual general meeting and Extraordinary General Meetings that may be convened as well as all the published disclosures submitted to the Stock Exchange.

During the Year, the Company reviewed the implementation and effectiveness of the Shareholders communication policy and considered it to be effective.

XX. CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company for the year ended 31 December 2025. The articles of association is available on the respective websites of the Stock Exchange and the Company.

天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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TO THE SHAREHOLDERS OF NEWTREND GROUP HOLDING CO., LTD
(Incorporated in People's Republic of China with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Newtrend Group Holding Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 152 which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including accounting policy information and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

During the year ended 31 December 2025, the Company and an independent private company (the "Issuer") incorporated in Hong Kong entered into a subscription agreement in respect of a cash management note of HK$65,000,000 (equivalent to approximately RMB58,487,000). According to the subscription agreement, the note will invest in a portfolio of assets such as short-term bills, short-term notes etc., and will mature on 31 May 2026. Subsequent to entering such agreement, the Company received a letter from the Issuer to initiate the payment of the cash management note to its designated payee, another private company (the "Designated Payee") incorporated in Hong Kong, to receive the subscription proceeds. One of the wholly-owned subsidiaries of the Company incorporated in Hong Kong made several payments totalling approximately US$8,321,000 (equivalent to approximately HK$65,000,000) to the Designated Payee. At 31 December 2025, the Company has classified the cash management note of HK$65,000,000 as financial assets at fair value through profit or loss.

BASIS FOR QUALIFIED OPINION *(Continued)*

We were unable to obtain sufficient appropriate audit evidence and explanations to support the validity, business rationale, commercial substance, and legitimacy of these payment transactions because:

(i) We were unable to obtain sufficient information on the nature and underlying business rationale for the Company's subscription to the cash management note from the management and the Issuer;

(ii) We were unable to ascertain the relationship between the Issuer and the Designated Payee, or the rationale for the payment instruction whereby approximately US$8,321,000 (equivalent to approximately HK$65,000,000) was directed to the Designated Payee instead of being paid directly to the Issuer;

(iii) We were unable to obtain information on the underlying assets of the cash management note at 31 December 2025 as stated in the subscription agreement in order to assess the fair value of the cash management note;

(iv) Our attempts to obtain direct external confirmation of the transactions by sending confirmation requests to the Designated Payee were unsuccessful, as the requests were returned.

Consequently, we are unable to determine the appropriate accounting impact of these payments, including their classification, valuation and related disclosures. There were no alternative audit procedures available to us to obtain reasonable assurance regarding these matters. Any adjustments to the financial asset at fair value through profit or loss described above might have a consequential effect on the Group's financial position as at 31 December 2025 and its financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade and bills receivables	
Refer to note 19 to the consolidated financial statements. We identified recoverability of trade and bills receivables as a key audit matter due to the significance of the balances to the consolidated financial statements, together with the significance of management's judgements and estimates applied in assessing the amount of expected credit loss at the reporting date. As at 31 December 2025, the Group had trade and bills receivables of 340,951,000, with a provision for impairment of RMB21,723,000. Trade and bills receivables are measured at amortised cost less allowance for impairment in the consolidated financial statements. The management measures loss allowance on trade and bills receivables at amounts equal to lifetime expected credit losses. Expected credit losses ("ECL") on trade and bills receivables are estimated using a provision matrix which involves significant management judgement in estimating the expected loss rate based on historical credit loss experience, adjusting factors that are specific to the debtors and assessment of both current and forecast general economic conditions. Trade and bills receivables that are credit-impaired are separately assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's gross amount and the present value of estimated future cash flows with the consideration of expected future credit losses.	Our procedures on the impairment assessment of trade and bills receivables included: – Obtaining an understanding of and evaluating the Group's credit policies and methodology for impairment assessment in relation to the application of ECL model; – Testing the completeness and accuracy of a selection of input data such as historical loss rates, forward-looking macroeconomic adjustments etc. used in the ECL model; – Assessing the appropriateness of the management's basis and judgement in determining credit loss allowance on trade and bills receivables, including their identification of credit-impaired trade and bills receivables, and the basis of estimated loss rates applied in each debtor; – Evaluating the reasonableness of the forward-looking adjustments made to reflect the current and forecast general economic condition against public available information; and – Checking the adequacy of related disclosure in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTOR FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liabilities to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Confucius International CPA Limited
Certified Public Accountants
Yip Yuen Nga
Practising Certificate Number: P05908
Hong Kong,
31 March 2026

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	**2025 RMB'000**	2024 RMB'000
Revenue	6	**583,198**	568,867
Cost of sales		**(474,617)**	(466,967)
Gross profit		**108,581**	101,900
Other income, gains and losses, net	7	**6,540**	17,681
Selling and distribution expenses		**(6,252)**	(4,753)
Administrative expenses		**(49,144)**	(30,867)
Research and development costs		**(15,696)**	(16,601)
Listing expenses		**(12,662)**	(10,207)
Impairment loss under expected credit loss model, net of reversal	8	**(9,839)**	(5,633)
Finance costs	9	**(10,309)**	(2,786)
Profit before taxation	10	**11,219**	48,734
Income tax credit (expense)	11	**1,840**	(5,328)
Profit for the year		**13,059**	43,406
Other comprehensive income (expense) for the year			
Item that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(1,702)**	783
Total comprehensive income for the year		**11,357**	44,189
Earnings per share (expressed in RMB per share)	15		
Basic and diluted		**0.14**	0.51

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	16	386,846	386,389
Right-of-use assets	17	32,975	12,465
Prepayments	20	958	1,862
Deferred tax assets	30	25,027	17,891
Total non-current assets		445,806	418,607
Current assets			
Inventories	18	100,259	91,903
Trade and bills receivables	19	340,951	224,613
Prepayments, deposits and other receivables	20	17,416	26,316
Financial assets at fair value through profit or loss	21	58,487	–
Bank balances and cash	22	168,544	51,469
Total current assets		685,657	394,301
Current liabilities			
Trade and bills payables	23	115,160	96,285
Other payables and accruals	24	39,156	48,852
Income tax payables		9,572	3,203
Contract liabilities	25	6,157	5,685
Lease liabilities	26	1,070	324
Bank borrowings	27	176,600	74,700
Other borrowing	28	12,514	95,650
Deferred income	29	1,121	909
Total current liabilities		361,350	325,608
Net current assets		324,307	68,693
Total assets less current liabilities		770,113	487,300

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	26	6,858	–
Bank borrowings	27	18,000	–
Other borrowing	28	76,147	–
Deferred income	29	6,848	8,181
Total non-current liabilities		107,853	8,181
Net assets		662,260	479,119
Capital and reserves			
Share capital	31	96,231	85,646
Reserves	33	566,029	393,473
Total equity		662,260	479,119

The consolidated financial statements on pages 71 to 152 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

Mr. Wang Xiaoqiang
Executive Director

Ms. Zuo Yue
Executive Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2025

	Share capital reserve RMB'000 (Note 31)	Capital reserve RMB'000 (Note 33)	Statutory reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Safety production fund RMB'000 (Note 33)	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	85,646	250,543	10,417	4,589	20,752	62,983	434,930
Profit for the year	–	–	–	–	–	43,406	43,406
Exchange differences on translation of foreign operations	–	–	–	783	–	–	783
Total comprehensive income for the year	–	–	–	783	–	43,406	44,189
Appropriation to statutory reserve	–	–	2,058	–	–	(2,058)	–
Net movement of safety production fund	–	–	–	–	845	(845)	–
At 31 December 2024 and 1 January 2025	**85,646**	**250,543**	**12,475**	**5,372**	**21,597**	**103,486**	**479,119**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**13,059**	**13,059**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(1,702)**	**–**	**–**	**(1,702)**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,702)**	**–**	**13,059**	**11,357**
Issue of ordinary shares by initial public offering, net of issuance costs (Note 31)	**10,585**	**161,199**	**–**	**–**	**–**	**–**	**171,784**
Appropriation to statutory reserve	**–**	**–**	**345**	**–**	**–**	**(345)**	**–**
Net movement of safety production fund	**–**	**–**	**–**	**–**	**(1,932)**	**1,932**	**–**
At 31 December 2025	**96,231**	**411,742**	**12,820**	**3,670**	**19,665**	**118,132**	**662,260**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**11,219**	48,734
Adjustments for:			
Interest income on bank deposits	7	**(1,192)**	(3,603)
Finance costs	9	**10,309**	2,786
Depreciation of property, plant and equipment	16	**37,514**	37,794
Depreciation of right-of-use assets	17	**1,816**	1,035
Other interest income	7	**(8)**	–
Provision for write-down of inventories	10	**1,565**	3,961
Impairment losses under expected credit loss model, net of reversal	8	**9,839**	5,633
Net loss on write off/disposal of property, plant and equipment	7	**1,199**	304
Gain on termination of lease	7	**(1)**	–
Release of assets-related government subsidies	7	**(1,121)**	(1,791)
Operating cash flows before movements in working capital		**71,139**	94,853
Increase (decrease) in inventories		**(9,724)**	2,021
Increase in trade and bills receivables		**(120,893)**	(112,542)
Decrease (increase) in prepayments, deposit and other receivables		**4,892**	(5,583)
Increase in pledged/restricted bank deposits		**(13,923)**	(2,543)
Increase in trade and bills payables		**18,496**	26,124
Increase in other payables and accruals		**15,029**	5,049
Increase in contract liabilities		**470**	4,893
Cash (used in) generated from operations		**(34,514)**	12,272
Income tax paid		**(797)**	(7,972)
Net cash (used in) generated from operating activities		**(35,311)**	4,300

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,200	3,603
Assets-related government subsidies received		–	4,000
Purchase of property, plant and equipment		(51,640)	(79,718)
Purchase of right-of-use assets		(13,448)	–
Proceeds from disposal/write off of property, plant and equipment, net		2,113	34
Purchases of financial assets at fair value through profit or loss	21	(58,487)	–
Net cash used in investing activities		(120,262)	(72,081)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(9,654)	(2,743)
New bank borrowings raised		254,500	98,600
Repayments of bank borrowings		(134,600)	(83,500)
Repayments of other borrowings		(7,386)	–
Repayments of lease liabilities		(1,420)	(745)
Payments of deferred issue costs		(10,291)	(4,324)
Proceeds from initial public offering		183,298	–
Payments of listing expenses deducted against equity		(11,514)	–
Net cash generated from financing activities	39	262,933	7,288
Net increase (decrease) in cash and cash equivalents		107,360	(60,493)
Cash and cash equivalents at beginning of the year		46,129	105,194
Effects of foreign exchange rate changes		(4,208)	1,428
Cash and cash equivalents at end of the year	22	149,281	46,129

1. GENERAL INFORMATION

Newtrend Group Holding Co., Ltd. (the "**Company**") (新琪安集團股份有限公司), formerly named as Ji'an Newtrend Technology Co., Ltd (吉安市新琪安科技有限公司) and Newtrend Technology Co., Ltd. (新琪安科技股份有限公司), was established in People's Republic of China (the "**PRC**") on 8 September 2006 as a limited liability company.

The Company was converted from a limited liability company into a joint stock limited liability company and changed its registered name from Ji'an Newtrend Technology Co., Ltd. to Newtrend Technology Co., Ltd. on 4 December 2017. On 24 February 2025, the Company was renamed as Newtrend Group Holding Co., Ltd.* (新琪安集團股份有限公司). The Company's H Shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 June 2025 (the "**Listing**").

In the opinion of the directors, the immediate holding company of the Company and the ultimate controlling party of the Company are Shenzhen Newtrend Industrial Development Co., Ltd ("**Newtrend Industrial**"), which is a private limited company incorporated in PRC and Mr. Wang Xiaoqiang and Ms. Ding Dan respectively.

During the years, the principal activities of the Company and its subsidiaries (together, "**the Group**") are set out in Note 40.

The consolidated financial statements are presented in thousands of Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certificate Public Accountants (the "**HKICPA**"). For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to the HKFRS Accounting Standards that are mandatorily effective for current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standards issued by the HKICPA for the first time, which is mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability

The application of the amendments to an HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRS Accounting Standards that are mandatorily effective for current year

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Annual Improvements to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[1]

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

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

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these new standards, amendments and interpretations to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the years are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Safety production fund

Pursuant to regulation No. [2012] 16 and No. [2022] 136, "Management measures of accrual and use of safety production fund of business enterprises", issued by the Ministry of Finance and the State Administration of Work Safety, certain subsidiaries of the Group are required to accrue safety production fund. The fee is earmarked for improving the safety of production.

Relevant companies are required to set aside the provision to a fund for future development and work safety which they transferred certain amounts from retained earnings/(accumulated losses) to a specific reserve. When qualifying development expenditure and improvements of safety incurred, an equivalent amount is transferred from the specific reserve to retained earnings/(accumulated losses).

Lease

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Lease *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets *(Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Development expenditure which does not meet these criteria is expensed when incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

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

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income, gains and losses".

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee benefits

Pension schemes

In accordance with the relevant laws and regulations, the Group's employees participate in various defined contribution plans and state-managed retirement benefit plans in the countries in which the Group operates. Payments to these plans, where the Group's obligations under such plans are equivalent to a defined contribution plan, are recognised as an expense based on certain percentages of the salaries of these employees on a monthly basis when employees have rendered services entitling them to the contributions. Contributions to these plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

For employees in Thailand

The Group registers its employees in Thailand with Workmen's Compensation Fund and Social Security Fund as required by laws in Thailand. The Group is required to make annual contributions to the Workmen's Compensation Fund and monthly contributions to the Social Security Fund, and the only obligation of the Group with respect to these funds is to make the required contributions.

Pension schemes

For employees in Indonesia

The Group participates in an employee social security programme (the "**Indonesian Social Security Programme**") in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Indonesian Social Security Programme, the employer is required to contribute a fixed percentage of the employee's salaries every month.

Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plans. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below. Property, plant and equipment (excluding freehold lands) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings and structures, machinery, office equipment and motor vehicles in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less) high liquidity investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions, contingent assets/liabilities and onerous contracts

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote, Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Provisions, contingent assets/liabilities and onerous contracts *(Continued)*

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (direct labour and materials) and an allocation of other costs (an allocation of the depreciation charge for property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers”. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments*(Continued)*

Financial assets

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at fair value through profit or loss

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “Other income, gains and losses, net” line item.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, deposits and other receivables, restricted bank balances, bank balances and cash and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of loss allowance is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the loss allowance that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and bills receivables. The ECL on these assets are assessed on an individual basis for customers with high credit risk and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

(i) Significant increase in credit risk

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a bill receivable has not increased significantly since initial recognition if the bill receivable is determined to have low credit risk at the reporting date. A bill receivable is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a bill receivable to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (Continued)

(iv) *Write-off policy*

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

(v) *Measurement and recognition of loss allowance*

The measurement of loss allowance is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of loss allowance reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the loss allowance is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed.

Lifetime ECL for trade receivables, which are not credit-impaired are assessed on a collective basis, whereas debtors which is considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of loss allowance (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtor; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, other borrowings, trade and other payables, and lease liabilities are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the ECL model under HKFRS 9 Financial Instruments, and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) both entities are joint ventures of the same third party.

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

   (vi) the entity is controlled or jointly controlled by a person identified in (i).

   (vii) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment and right-of-use assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with material accounting policy for impairment of property, plant and equipment and right-of-use assets as described in Note 4. The carrying amounts of property, plant and equipment and right-of-use assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's property, plant and equipment and right-of-use assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

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

Key sources of estimation uncertainty *(Continued)*

Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets

As at 31 December 2024 and 2025, the tax losses of RMB62,958,000 and RMB92,961,000, have been recognised as deferred tax assets in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of RMB2,127,000 and RMB3,490,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2024 and 2025, the carrying amounts of trade receivables were RMB220,164,000 and RMB336,087,000 (net of allowance of RMB12,103,000 and RMB21,723,000, respectively).

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

Key sources of estimation uncertainty *(Continued)*

Net realisable value of inventories

As at 31 December 2024 and 2025, the carrying amounts of the Group's inventories were RMB91,903,000 and RMB100,259,000, respectively. During the years ended 31 December 2024 and 2025, a provision for write-down of inventories of RMB3,961,000 and RMB1,565,000 was recognised in profit or loss, respectively.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgment on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

6. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major products line for the years is as follows:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Sales of sucralose products	**279,229**	237,471
Sales of food-grade glycine products	**223,710**	239,005
Sales of industrial-grade glycine products	**47,125**	66,371
Sales of other products	**33,134**	26,020
	583,198	568,867

All revenue is recognised at a point in time, when control of the products has been transferred to the customer. Control is considered to have been transferred when the products are delivered to the customer. The Group applies the practical expedient in HKFRS 15 and does not disclose information about unsatisfied performance obligations with an original expected duration of one year or less.

The Group is mainly engaged in the manufacturing and sales of sucralose, food-grade glycine and industrial-grade glycine products, other products comprise curcumin, isomalt and byproducts etc. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

No segment of assets and liabilities are presented as no discrete financial information is available.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

A geographical analysis of the Group's revenue from external customers is presented based on the geographical areas where the goods are sold; while information about the carrying amount of non-current assets, excluding deferred tax assets, is presented based on the geographical areas of the assets located, as follows:

	Revenue from external customers Years ended 31 December		Carrying amounts of non-current assets As at 31 December	
	2025	2024	**2025**	2024
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**109,486**	116,445	**257,266**	260,118
Asia (excluding Mainland China)	**70,610**	55,149	**163,513**	140,598
Europe	**137,399**	119,182	**–**	–
United States of America ("USA")	**203,533**	214,692	**–**	–
North America (excluding USA)	**31,315**	19,094	**–**	–
South America	**9,068**	28,509	**–**	–
Africa	**12,365**	8,910	**–**	–
Oceania	**9,422**	6,886	**–**	–
	583,198	568,867	**420,779**	400,716

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major customers

During the years, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective periods are set out below:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Customer A	**135,768**	80,363
Customer B	**59,747**	98,604
Customer C	**N/A***	64,332

* Less than 10% of the Group's revenue in the respective year.

7. OTHER INCOME, GAINS AND LOSSES, NET

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Interest income on bank deposits	**1,192**	3,603
Other interest income	**8**	–
Release of assets-related government subsidies (Note 29)	**1,121**	1,791
Income-related government grants (Note)	**6,714**	4,699
Sundry income	**718**	470
Sundry expenses	**(738)**	(730)
Net loss on write off/disposal of property, plant and equipment	**(1,199)**	(304)
Gain on termination of lease	**1**	–
Foreign exchange (loss)/gain, net	**(1,277)**	8,152
	6,540	17,681

Note:

Government grants mainly represented the unconditional government subsidies received from the local governments in the PRC to support the research and development, industry development and employee stability and recruitment of the Group.

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Impairment losses recognised (reversed) on:		
– trade receivables	**9,772**	5,696
– deposits and other receivables	**67**	(63)
	9,839	5,633

9. FINANCE COSTS

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Interest on:		
– bank borrowings	**4,433**	2,753
– other borrowings	**5,735**	–
– lease liabilities	**141**	33
	10,309	2,786

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note 16)	**37,514**	37,794
Depreciation of right-of-use assets (Note 17)	**1,816**	1,035
Total depreciation included in	**39,330**	38,829
– Selling and distribution expenses	**(67)**	(65)
– Administrative expenses	**(10,605)**	(4,125)
– Research and development expenses	**(1,630)**	(1,173)
Capitalised in inventories	**27,028**	33,466
Directors' emolument: (Note 12)		
– Salaries and allowance	**2,443**	1,789
– Retirement benefits scheme	**73**	63
Other staff costs:		
– Salaries and allowance	**50,451**	42,698
– Retirement benefits scheme	**7,367**	6,929
Total salaries included in	**60,334**	51,479
– Selling and distribution expenses	**(3,024)**	(1,983)
– Administrative expenses	**(21,648)**	(14,627)
– Research and development expenses	**(4,443)**	(3,996)
Capitalised in inventories	**31,219**	30,873

10. PROFIT BEFORE TAXATION *(Continued)*

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Auditors' remuneration of audit service	**1,800**	–
Provision for write-down of inventories	**1,565**	3,961
Cost of inventories recognised as expenses	**474,617**	466,967
Listing expenses	**12,662**	10,207
Legal and professional expenses	**3,424**	2,082
Research and development costs recognised as expenses	**15,696**	16,601

11. INCOME TAX (CREDIT)/EXPENSE

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Current income tax:		
– PRC enterprise income tax	**48**	1
– Overseas income tax	**4,976**	8,609
	5,024	8,610
Deferred taxation (Note 30)	**(6,864)**	(3,282)
	(1,840)	5,328

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the group entities established in the PRC is 25% for the years unless they are subject to tax exemption set out below.

The Company was qualified as a "High and New Technology Enterprise" ("**HNTE**") in November 2018, the qualification can be renewed every three years, the latest renewal of the qualification in October 2024, hence the Company enjoys a preferential income tax rate of 15% from 2024 to 2027.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, the Company as a HNTE is entitled to claim 200% of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the years ("**Super Deduction**").

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% for the years.

The Group's entity incorporated in Indonesia is subject to the corporate income tax at a rate of 22% for the years ended 31 December 2025 and 2024.

The Group's entity incorporated in Thailand is subject to the corporate income tax at a rate of 20% for the years ended 31 December 2025 and 2024. Under the investment preferential Thailand Board of Investment ("**BOI**") policy, the subsidiary in Thailand is not subject to corporate income tax on its BOI business income relating to manufacturing of sucralose by virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520 of Thailand, which belongs to the preferential policy for the years ended 31 December 2025 and 2024.

The Group's entity incorporated in the Netherlands is subject to the corporate income tax at a rate of 19% for the years ended 31 December 2025 and 2024 for taxable income that does not exceed the amount of EUR200,000, respectively.

The income tax (credit) expense for the years can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Profit before taxation	**11,219**	48,734
Tax charged at statutory tax rate applicable to the Jurisdiction concerned	**2,331**	9,733
Tax effect of expenses not deductible for tax purpose	**108**	273
Tax effect of Super Deduction of qualified research and development expenditure	**(2,206)**	(2,255)
Tax effect of income not taxable for tax purpose	**(2,969)**	(566)
Tax effect of tax losses and temporary differences for which no deferred income tax asset was recognised	**1,232**	(193)
Utilisation of tax losses previously not recognised	**(336)**	(1,942)
Derecognition of deferred tax assets previously recognised	**–**	278
Income tax (Credit) expense	**(1,840)**	5,328

12. DIRECTORS' EMOLUMENT

Directors' emoluments

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the years, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, are as follows:

	Date of appointment as a director of the Company	Salaries, bonuses and allowance RMB'000	Fees RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2025					
Executive Directors:					
Mr. Wang Xiaoqiang	8 September 2006	655	–	–	655
Ms. Chen Lijun	25 August 2007	363	–	–	363
Mr. Wang Hao	12 September 2016	685	–	17	702
Mr. Wu Dingfeng	16 November 2017	267	–	39	306
Ms. Zuo Yue	21 June 2024	253	–	17	270
Non-executive Director:					
Mr. Xiao Fan	4 November 2021	–	–	–	–
Independent non-executive directors:					
Dr. Li Ling	21 June 2024	–	50	–	50
Dr. Song Jingjin	21 June 2024	–	50	–	50
Mr. Lo Kwing Yu	21 June 2024	–	120	–	120
		2,223	220	73	2,516

12. DIRECTORS' EMOLUMENT *(Continued)*

Directors' emoluments *(Continued)*

	Date of appointment as a director of the Company	Salaries, bonuses and allowance	Fees	Retirement benefit scheme contribution	Total
		RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2024					
Executive Directors:					
Mr. Wang Xiaoqiang	8 September 2006	354	–	–	354
Ms. Chen Lijun	25 August 2007	306	–	–	306
Mr. Wang Hao	12 September 2016	478	–	11	489
Mr. Wu Dingfeng	16 November 2017	300	–	40	340
Ms. Zuo Yue	21 June 2024	181	–	12	193
Non-executive Director:					
Mr. Xiao Fan	4 November 2021	–	–	–	–
Independent non-executive directors:					
Dr. Li Ling	21 June 2024	–	50	–	50
Dr. Song Jingjin	21 June 2024	–	50	–	50
Mr. Lo Kwing Yu	21 June 2024	–	70	–	70
		1,619	170	63	1,852

(i) The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the years ended 31 December 2025 and 2024;

(ii) During the years ended 31 December 2025 and 2024, there was no arrangement under which a director waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office; and

(iii) The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company during the years ended 31 December 2025 and 2024.

13. FIVE HIGHEST PAID INDIVIDUALS

Three (2024: three) of the five individuals with the highest emoluments in the Group were directors of the Company for the years ended 31 December 2025 and 2024, whose emoluments are disclosed in Note 12 above. The emoluments of the remaining two (2024: two) highest paid individual are as follows:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, allowances and benefits	**1,026**	1,020
Discretionary bonus	**–**	–
Retirement benefits scheme	**17**	17
	1,043	1,037

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees Years ended 31 December	
	2025	2024
Nil to HK$1,000,000	**2**	2

14. DIVIDNEDS

The board of directors did not recommend the payment of any final dividend for the year ended 31 December 2025 (2024: Nil).

15. EARNINGS PER SHARE

The basic earnings per share attributable to equity shareholders of the Company is calculated as follows:

	Years ended 31 December 2025	2024
Profit attributable to owners of the Company (RMB'000)	**13,059**	43,406
Weighted average number of ordinary shares in issue (thousand shares)	**91,591**	85,646
Basic earnings per share for profit attributable to owners of the Company (in RMB)	**0.14**	0.51

No diluted earnings per share was presented for the years ended 31 December 2025 and 2024 as the Company did not have any dilutive potential ordinary shares.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings and structures RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 31 December 2023 and 1 January 2024	20,141	169,374	331,582	7,475	5,371	51,421	585,364
Additions	–	2,456	1,109	728	825	74,975	80,093
Transfer in/(out)	–	20,006	34,941	792	–	(55,739)	–
Write-off/disposal	–	(126)	(1,134)	(149)	(204)	–	(1,613)
Exchange realignment	(34)	132	(251)	23	19	509	398
At 31 December 2024 and 1 January 2025	**20,107**	**191,842**	**366,247**	**8,869**	**6,011**	**71,166**	**664,242**
Additions	**–**	**19**	**1,652**	**1,913**	**1,113**	**35,983**	**40,680**
Transfer in/(out)	**–**	**1,572**	**5,788**	**–**	**–**	**(7,360)**	**–**
Write-off/disposal	**–**	**(26)**	**(8,919)**	**(139)**	**(174)**	**–**	**(9,258)**
Exchange realignment	**(609)**	**(570)**	**(2,067)**	**100**	**(26)**	**3,207**	**35**
At 31 December 2025	**19,498**	**192,837**	**362,701**	**10,743**	**6,924**	**102,996**	**695,699**

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

	Freehold land RMB'000	Buildings and structures RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT							
At 31 December 2023 and 1 January 2024	–	65,056	165,877	5,699	4,470	–	241,102
Charge for the year	–	8,532	28,319	714	229	–	37,794
Eliminated on write-off/disposal	–	(86)	(862)	(133)	(193)	–	(1,274)
Exchange realignment	–	163	25	20	23	–	231
At 31 December 2024 and 1 January 2025	–	73,665	193,359	6,300	4,529	–	277,853
Charge for the year	–	9,865	25,610	1,544	495	–	37,514
Eliminated on write-off/disposal	–	(17)	(5,711)	(114)	(103)	–	(5,945)
Exchange realignment	–	148	(785)	33	35	–	(569)
At 31 December 2025	–	83,661	212,473	7,763	4,956	–	308,853
CARRYING AMOUNTS							
At 31 December 2025	19,498	109,176	150,228	2,980	1,968	102,996	386,846
At 31 December 2024	20,107	118,177	172,888	2,569	1,482	71,166	386,389

The above items of property, plant and equipment (excluding freehold land), after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Buildings and structures	Shorter of the term of the lease and 3%-10%
Machinery	9%–33%
Office equipment	19%–33%
Motor vehicles	12%–20%

The Group has pledged buildings and structures and machinery with carrying amounts of approximately RMB22,440,000 and RMB11,998,000 as at 31 December 2024 and 2025, respectively, to secure other borrowings granted to the Group (Note 36).

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

As at 31 December 2024 and 2025, the Group was still in the process of applying for the ownership certificates for buildings and structures with a total carrying amount of RMB25,435,000 and RMB25,243,000, respectively. The directors of the Company are of the opinion that the Group is entitled lawfully and validly to occupy or use the buildings and structures and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2025 and 2024.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Lease properties RMB'000	Total RMB'000
At 31 December 2023 and 1 January 2024	12,501	899	13,400
Additions	–	100	100
Depreciation charged during the year	(347)	(688)	(1,035)
At 31 December 2024 and 1 January 2025	**12,154**	**311**	**12,465**
Additions	**13,448**	**9,002**	**22,450**
Write-off	**–**	**(118)**	**(118)**
Depreciation charged during the year	**(415)**	**(1,401)**	**(1,816)**
Exchange realignment	**–**	**(6)**	**(6)**
At 31 December 2025	**25,187**	**7,788**	**32,975**

	Years ended 31 December	
	2025 **RMB'000**	2024 RMB'000
Depreciation on right-of-use assets	**1,816**	1,035
Interest expenses on lease liabilities (included in finance costs)	**141**	33
Expenses relating to short-term leases or leases to low value assets (included in administrative expenses)	**195**	85
Total cash outflow for leases	**1,615**	830

For the year ended 31 December 2025, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 1 year to 7 years (2024: 1 year to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. RIGHT-OF-USE ASSETS *(Continued)*

The Group has obtained the land use right certificates for all leasehold lands, which are located in the PRC.

The Group has pledged leasehold land with carrying amount of approximately RMB7,563,000 and RMB5,441,000 to secure other borrowings granted to the Group as at 31 December 2024 and 2025, respectively (Note 36).

18. INVENTORIES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Raw materials and consumables	**18,085**	19,480
Work in progress	**21,556**	23,123
Finished goods	**58,918**	42,012
Goods in transit	**4,518**	12,518
	103,077	97,133
Less: Provision for write-down	**(2,818)**	(5,230)
	100,259	91,903

Provision for write-down of inventories was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value and was recorded in "cost of sales". Movements in provision for write-down of inventories for the years are as below:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
At the beginning of the year	**5,230**	7,702
Provided for the year	**1,565**	3,961
Write-off	**(3,977)**	(6,433)
At the end of the year	**2,818**	5,230

19. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade receivables – contract with customers	**357,810**	232,267
Less: Loss allowance	**(21,723)**	(12,103)
	336,087	220,164
Bills receivables	**4,864**	4,449
	340,951	224,613

The normal credit term to the customers is generally up to 180 days. As at 31 December 2024 and 2025, the amount of debtors included in the Group's trade receivables balances that are past due are approximately 16.1% and 58.17% respectively, and the Group is satisfied with the subsequent settlements and the credit quality of these customers which had not been deteriorated.

The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables (net of allowance) presented based on the date of transfer of goods or issue of invoice at the end of each reporting period:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within 30 days	**83,808**	54,356
31 to 60 days	**30,560**	55,750
61 to 90 days	**15,357**	39,232
91 to 180 days	**30,579**	43,728
181 to 365 days	**115,271**	27,055
More than 1 year	**60,512**	43
	336,087	220,164

19. TRADE AND BILLS RECEIVABLES *(Continued)*

The movement in the allowance for trade receivables of the Group during the years are as follows:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Balance at beginning of the year	**12,103**	6,441
Allowance for the year, net	**9,772**	5,696
Exchange realignment	**(152)**	(34)
Balance at end of the year	**21,723**	12,103

The fair values of trade and bills receivables of the Group approximated to their carrying amounts.

Bills receivables represent short-term bank acceptance bills receivables that entitle the Group to receive the full face amount from the banks at maturity, which generally within 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivables. The Group from time to time endorses bank acceptance bills to suppliers in order to settle trade payables.

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB43,368,000 and RMB24,309,000 at 31 December 2024 and 2025, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have the right of recourse against the Group if the Mainland China banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes accepted by large and reputable banks with amounts of RMB38,936,000 and RMB19,458,000 at 31 December 2024 and 2025, respectively (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

19. TRADE AND BILLS RECEIVABLES *(Continued)*

For the rest of the Endorsed Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Notes. As at 31 December 2024 and 2025, the aggregate carrying amounts of the trade payables settled by such Endorsed Notes to which the suppliers have recourse were RMB4,432,000 and RMB4,851,000, respectively.

During the years, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement during the years.

Details of impairment assessment of trade and bills receivables are set out in Note 42.

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Amounts of Endorsed Notes	**24,309**	43,368
Less: the amount of derecognition upon the endorsement	**(19,458)**	(38,936)
Endorsed bills receivables that have not been derecognised and not yet due (Note 24)	**4,851**	4,432

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Prepayment for acquisition of property, plant and equipment	**958**	1,862
Prepayment for raw materials	**1,327**	6,338
Prepayment of expenses	**1,141**	1,763
Deferred issue cost (Note)	**–**	6,498
Deductible value-added tax	**12,594**	10,240
Other receivables	**1,845**	1,395
Rental and utility deposits	**703**	206
	18,568	28,302
Less: Loss allowance	**(194)**	(124)
	18,374	28,178
Analysed for reporting purposes as:		
Current assets	**17,416**	26,316
Non-current assets	**958**	1,862
	18,374	28,178

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in the allowance for deposits and other receivables during the years are as follows:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Balance at beginning of the year	**124**	191
Allowance (reversal of allowance) for the year, net	**67**	(63)
Exchange realignment	**3**	(4)
Balance at end of the year	**194**	124

Details of impairment assessment of deposits and other receivables are set out in Note 42.

Deferred issue costs represent the qualified portion of issue costs incurred up to 31 December 2024, which was debited to equity of the Company as share issue costs in respect of the issue of new shares upon listing.

21. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Other unlisted investment, at fair value	**58,487**	–

During the year, the Company and an independent private company (the "**Issuer**") incorporated in Hong Kong entered into a subscription agreement in respect of cash management note of HK$65,000,000 (equivalent to approximately RMB58,487,000). According to the subscription agreement, the note will invest in a portfolio of assets such as short-term bills, short-term notes etc. with expected rate of return of 3 to 5%, and will mature on 31 May 2026. Details of its fair value measurement are disclosed in Note 42.

22. BANK BALANCES AND CASH

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bank balances and cash	**168,544**	51,469
Less: Pledged bank deposits	**(19,263)**	(5,340)
Cash and cash equivalents	**149,281**	46,129

The Group's pledged bank deposits represented deposits pledged to banks for issuance of bank acceptance bills (Note 23).

Bank balances and cash of the Group deposited with banks are denominated in the following currencies:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
RMB	**42,039**	11,094
USD	**8,081**	36,060
EUR	**451**	3,759
THB	**563**	393
IDR	**432**	142
HKD	**116,978**	21
	168,544	51,469

23. TRADE AND BILL PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables	**69,175**	78,486
Bills payables	**45,985**	17,799
	115,160	96,285

The normal credit term to the Group is up to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within 30 days	**21,233**	34,281
31 to 60 days	**7,950**	12,808
61 to 90 days	**14,236**	8,171
91 to 180 days	**7,469**	10,957
181 to 365 days	**11,448**	3,324
More than 1 year	**6,839**	8,945
	69,175	78,486

At the end of the reporting period, the Group's bills payables were issued by banks with maturities within 12 months and were secured by the Group's pledged bank deposits (Note 22).

24. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries and wages payables	**3,712**	4,924
Payables for purchases of property, plant and equipment	**18,476**	26,530
Other tax payables	**1,221**	996
Interest payables	**192**	75
Other payables (Note)	**9,130**	9,721
Accrued issue cost	**1,574**	2,174
Endorsed bills receivables that have not been derecognised and not yet due (Note 19)	**4,851**	4,432
	39,156	48,852

Note:

Other payables included accrued expenses, courier charges, cleaning fee and testing fee etc.

25. CONTRACT LIABILITIES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Sales of goods	**6,157**	5,685

Contract liabilities represent advance from customers when the Group receives payments in advance of the sales of goods. Contract liabilities at the beginning of the year amounted to RMB792,000 and RMB5,685,000 as at 1 January 2024 and 2025, respectively. Revenue recognised during the years ended 31 December 2024 and 2025 from these opening balances amounted to RMB792,000 and RMB5,685,000, respectively.

26. LEASE LIABILITIES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Lease liabilities payable: Within one year	**1,070**	324
More than one year, but not exceeding two years	**1,106**	–
More than two years, but not more than five years	**3,791**	–
More than five years	**1,961**	–
	7,928	324
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,070)**	(324)
Amount due for settlement after 12 months shown under non-current liabilities	**6,858**	–

The weighted average incremental borrowing rate applied to lease liabilities was 4.30% per annum and 3.50% per annum at 31 December 2024 and 2025, respectively.

27. BANK BORROWINGS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bank borrowings	**194,600**	74,700
Secured and guaranteed	**–**	24,900
Unsecured and guaranteed	**–**	10,000
Secured and unguaranteed	**32,600**	19,800
Unsecured and unguaranteed	**162,000**	20,000
	194,600	74,700
Fixed-rate borrowings	**194,600**	74,700
Carrying amount repayable:		
Within one year	**176,600**	74,700
More than one year, but not exceeding two years	**18,000**	–
	194,600	74,700
Less: Amount due for settlement within 12 months shown under current liabilities	**(176,600)**	(74,700)
Amount due for settlement after 12 months shown under non-current liabilities	**18,000**	–

27. BANK BORROWINGS *(Continued)*

The Group's bank borrowings are denominated in RMB. The effective interest rates of the Group's bank borrowings are as follows:

	As at 31 December	
	2025	2024
	%	%
Effective interest rate per annum:		
– Fixed-rate borrowings	**2.50–3.50**	2.80–3.50

Borrowings with carrying amounts of RMB34,900,000 as at 31 December 2024, were guaranteed by related parties (Note 38(d)).

Borrowings with carrying amounts of RMB122,600,000 as at 31 December 2025, were guaranteed by one of the subsidiaries. Pledge of assets refer to Note 36.

28. OTHER BORROWINGS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Other borrowings	**88,661**	95,650
Carrying amount repayable:		
Within one year	**12,514**	95,650
More than one year, but not exceeding two years	**12,514**	–
More than two years, but not exceeding five years	**63,633**	–
	88,661	95,650

28. OTHER BORROWINGS *(Continued)*

As at 31 December 2024 and 2025, all of the Group's other borrowings are denominated in RMB.

Other borrowings of RMB95,650,000 as at 31 December 2024 was unsecured and interest-free on the principal amount (the "**Zang Qing Borrowings**"). In January 2025, the Company, Xizang Newtrend Fine Chemical Technology Co., Ltd. (the "**Xizang Newtrend**"), Shenzhen Newtrend Industrial Development Co., Ltd. (the "**Newtrend Industrial**"), and Xizang Zang Qing Industrial Park Investment Co., Ltd. (the "**Zang Qing Investment**") entered into a supplemental agreement (the "**Xizang Settlement Agreement**"), pursuant to which each party agreed to re-arrange the repayment schedules of the borrowing with principal amount of RMB95,650,000, and Xizang Newtrend agreed to provide its leasehold land and property (Note 17), plant and machinery (Note 16) as securities (the "**New Zang Qing Borrowings**"). As at the date of this report, details of the securities for the New Zang Qing Borrowings have not yet been finalised. With the effect of Xizang Settlement Agreement, each party also agreed not to claim for a breach relating to their rights and obligations in respect of unrecovered subsidies and overdue penalty, and the respective guarantee provided by Newtrend Industrial was released (Note 34).

According to the re-arranged repayment schedule, Xizang Newtrend will repay part of the principal and interest by certain instalments in aggregate of approximately RMB37,540,000 from 2025 to 2027. The New Zang Qing Borrowings carried at prevailing market interest rate from 2025 to 2027 and the remaining balance should not be settled earlier than 1 January 2028 and subject to further negotiation. During the year, Xizang Newtrend repaid the principal of approximately RMB7,386,000.

No modification gain or loss was recognised in the consolidated statements of profit or loss and other comprehensive income in January 2025 as the fair value of the New Zang Qing Borrowings is approximate to the carrying amount of the Zang Qing Borrowings. The New Zang Qing Borrowings was subsequently carried at amortised cost using effective interest method.

29. DEFERRED INCOME

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Assets-related government subsidies at the beginning of the year	**9,090**	6,881
Addition	**–**	4,000
Released to profit or loss	**(1,121)**	(1,791)
At the end of the year	**7,969**	9,090
Analysed for reporting purposes as:		
Current liabilities	**1,121**	909
Non-current liabilities	**6,848**	8,181
	7,969	9,090

Deferred income arising from assets-related government subsidies, which represents the government subsidies received in relation to the Group's purchase of property, plant and equipment, and was included in the consolidated statement of financial position as deferred income and credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected useful life of the relevant depreciable assets.

Government subsidies of RMB4,000,000 received in December 2024 were related to the development and application of seaweed dietary fibre project. Upon completion of the set up of the relevant assets and verification by the management in 2025, the relevant assets were transferred from construction in progress to property, plant and equipment, and the respective subsidies were amortised on a straight-line basis over the useful life of the relevant assets.

30. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Deferred tax assets	**28,073**	20,040
Deferred tax liabilities	**(3,046)**	(2,149)
	25,027	17,891

The following are deferred tax assets and liabilities recognised and movements thereon during the years:

	Impairment loss under ECL	Provision for write-down of inventories	Impairment losses on property plant and equipment	Unused tax loss	Unrealised profits	Accelerated tax depreciation	Deferred income	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024 and 1 January 2025	699	1,816	1,961	11,648	(126)	(2,267)	1,032	–	14,763
Credited(charged)to profit or loss	107	(776)	(26)	2,902	626	118	331	–	3,282
Exchange realignment	–	–	–	(154)	–	–	–	–	(154)
At 31 December 2024 and 1 January 2025	**806**	**1,040**	**1,935**	**14,396**	**500**	**(2,149)**	**1,363**	**–**	**17,891**
Credited (charged) to profit or loss	**927**	**(583)**	**(84)**	**6,497**	**(34)**	**253**	**(168)**	**56**	**6,864**
Exchange realignment	**–**	**–**	**–**	**272**	**–**	**–**	**–**	**–**	**272**
At 31 December 2025	**1,733**	**457**	**1,851**	**21,165**	**466**	**(1,896)**	**1,195**	**56**	**25,027**

As at 31 December 2024 and 2025, the Group has unused tax losses of approximately RMB65,085,000 and RMB96,451,000, respectively, available for offset against future profits and deferred tax assets were recognised in respect of approximately RMB62,958,000 and RMB92,961,000, respectively, of such losses. As at 31 December 2024 and 2025, no deferred tax asset was recognised in respect of the remaining unused tax losses of approximately RMB2,127,000 and RMB3,490,000, respectively, due to the unpredictability of future profit streams. These amounts, included in unrecognised tax losses, will expire within five years ranging from 2026 to 2030, while other losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Number of shares '000	Share capital RMB'000
Ordinary share of RMB1 each registered, issued and fully paid:		
At 1 January 2024, 31 December 2024 and 1 January 2025	**85,646**	85,646
Issuance of H shares (Note)	**10,585**	10,585
At 31 December 2025	**96,231**	96,231

Note:

On 10 June 2025, the Company issued 10,585,400 H shares with par value of RMB1 each at a price of HK$18.90 per share by initial public offering. The proceeds of RMB10,585,400, representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB161,199,000 (net of issuance costs) was recognised in capital reserve.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-current Assets		
Property, plant and equipment	**151,630**	140,586
Right-of-use assets	**9,366**	3,372
Prepayments	**262**	1,862
Deferred tax assets	**3,863**	1,724
Investment in subsidiaries	**86,918**	66,918
	252,039	214,462

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current assets		
Inventories	**29,208**	38,606
Trade and bills receivables	**261,687**	158,260
Prepayments, deposits and other receivables	**3,670**	11,247
Amounts due from subsidiaries	**193,716**	104,044
Financial assets at fair value through profit or loss	**58,487**	–
Bank balance and cash	**144,939**	29,774
	691,707	341,931
Current liabilities		
Trade and bills payables	**57,267**	36,366
Other payables and accruals	**14,321**	21,892
Contract liabilities	**1,315**	286
Lease liabilities	**1,070**	–
Amounts due to subsidiaries	**72,410**	–
Bank borrowings	**156,800**	54,900
Deferred income	**1,121**	909
	304,304	114,353
Net current assets	**387,403**	227,578
Total assets less current liabilities	**639,442**	442,040

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	31 December	
	2025	2024
	RMB'000	RMB'000
Non-current liabilities		
Bank borrowings	**18,000**	–
Lease liabilities	**6,858**	–
Deferred income	**6,848**	8,181
	31,706	8,181
Net assets	**607,736**	433,859
Capital and reserves		
Share capital	**96,231**	85,646
Reserves	**511,505**	348,213
Total equity	**607,736**	433,859

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Capital reserve RMB'000	Statutory reserve RMB'000	Safety production fund RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	237,200	10,417	14,051	65,966	327,634
Profit for the year	–	–	–	20,579	20,579
Appropriation to statutory reserve	–	2,058	–	(2,058)	–
Net movement of safety production fund	–	–	(77)	77	–
At 31 December 2024 and 1 January 2025	**237,200**	**12,475**	**13,974**	**84,564**	**348,213**
Profit for the year	**–**	**–**	**–**	**2,093**	**2,093**
Appropriation to statutory reserve	**–**	**345**	**–**	**(345)**	**–**
Issue of ordinary shares by initial public offering, net of issuance costs	**161,199**	**–**	**–**	**–**	**161,199**
Net movement of safety production fund	**–**	**–**	**(1,275)**	**1,275**	**–**
At 31 December 2025	**398,399**	**12,820**	**12,699**	**87,587**	**511,505**

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74 of the financial statements.

Capital reserve

The capital reserve of the Group includes the share premium contributed by the shareholders of the Company.

Statutory reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

33. RESERVES *(Continued)*

Safety production fund

According to the relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemicals products. No provision is required when the opening balance reaches or exceeds three times the prior year's amount that should have been accrued, and until the balance falls below that threshold.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4.

34. CONTINGENT ASSET AND CONTINGENT LIABILITIES

Pursuant to an agreement (the "**Xizang Agreement**") entered into between Xizang Newtrend, a wholly owned subsidiary of the Company, the immediate holding Company of the Company, 西藏自治區藏青工業園管理委員會(Xizang Autonomous Region Zangqing Industrial Park Management Committee*) (the "**Xizang Committee**") and 西藏藏青工業園投資股份有限公司 ("**Zang Qing Investment**") for the construction and development project in the Tibet Autonomous Region (the "**Xizang Project**"), Xizang Committee committed to provide subsidy for the natural gas expenses upon the operation of the boiler in the Project and Zang Qing Investment assisted to provide funds to Xizang Newtrend as borrowings. Xizang Newtrend has outstanding principal amount of borrowings from Zang Qing Investment which amounted to RMB95,650,000 as at 31 December 2024 and is unsecured and interest free. The amount was defaulted in repayment in 2018 in accordance with the repayment schedule. Newtrend Industrial, being one of our controlling shareholders, agreed to provide a guarantee for Xizang Newtrend to repay the borrowings according to the agreement. Pursuant to the agreement, RMB40,000,000 would be repaid within the first years after the Xizang Project was put into operation; and RMB60,000,000 would be repaid within the second year after the Xizang Project was put into operation.

According to the "liabilities for breach" term in the agreement, Xizang Newtrend shall pay an overdue penalty amounting to one year benchmark loan interest rate of The People's Bank of China ("**PBOC**") of the overdue borrowings to Zang Qing Investment if Xizang Newtrend fails to repay the borrowings and the unrecovered subsidies mentioned below was also subject to one year benchmark loan interest rate of the PBOC of the overdue subsidies from Xizang Committee.

34. CONTINGENT ASSET AND CONTINGENT LIABILITIES *(Continued)*

Xizang Committee has committed to grant a subsidy as monthly financial assistance to Xizang Newtrend in relation to the actual natural gas expense which exceeds the base price stated in the agreement. Despite Xizang Newtrend meeting the requirement with respect to the subsidy for the natural gas expenses in relation to the operation of the boiler in the Xizang Project, the Group has not received any subsidy from Xizang Committee.

As disclosed in Note 28, the Company, Xizang Newtrend, Newtrend Industrial, and Zang Qing Investment entered into Xizang Settlement Agreement in January 2025, and each party agreed not to claim for a breach relating to their rights and obligations in respect of unrecovered subsidies and overdue penalty. As a result of the foregoing, the Group did not have any contingent liabilities relating to the overdue penalty and contingent assets relating to the Xizang Agreement as at 31 December 2025. The guarantee provided by Newtrend Industrial to the Group with respect to the Zang Qing Borrowings had also been released since the date of the Xizang Settlement Agreement.

35. COMMITMENTS

The Group has the following capital expenditures contracted but not provided for at the end of each reporting period.

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Property, plant and equipment	**4,262**	4,644

36. PLEDGE OF ASSETS

At the end of each reporting period, the Group had pledged the following assets to banks as securities against general banking facilities, including banks borrowings and bills payables granted to the Group:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Property, plant and equipment (Note 16)	**11,998**	22,440
Right-of-use assets (Note 17)	**5,441**	7,563
Pledged bank deposit (Note 22)	**19,263**	5,340
	36,702	35,343

37. RETIREMENT BENEFIT PLANS

The majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The Group therefore have no other legal or constructive obligation apart from the required contributions under the scheme.

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the subsidiary of the Group established in Hong Kong is required to make contributions to the Mandatory Provident Fund retirement scheme, which are defined contribution pension schemes. Contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the schemes.

Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met. the subsidiaries of the Group established in Indonesia maintain and operate formal pension plans for the benefit of its employees, additional provisions for the estimated liabilities for employee service entitlement benefits are made on top of the benefits provided under their respective pension plans, if necessary, in order to meet and cover the minimum benefits required to be paid to employees under the Indonesian Labor Law.

In accordance with the rules and regulations in the Thailand, the employees of the subsidiary of the Group established in Thailand are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

38. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
Mr. Wang Xiaoqiang ("**Mr. Wang**")	Controlling shareholder and director of the Company
Shenzhen Newtrend Industrial Development Co., Ltd.* (深圳市新琪安實業發展有限公司) ("**Newtrend Industrial**")	Controlling shareholder
Ms. He Qingfeng ("**Ms. He**")	Shareholder
Ms. Ding	Spouse of Mr. Wang and controlling shareholder
Mr. Wang Xiaorui	Brother of Mr. Wang and spouse of Ms. He
Shenzhen Anjie Electronics Co., Ltd. (深圳安杰電子有限公司) ("**Shenzhen Anjie**")	An entity controlled by a director of the Company, Mr. Wang Hao

* For identification only

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, during the years, the Group entered into transactions with the following related parties:

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Received interest from Shenzhen Anjie	**8**	–
Lease payment to Mr. Wang	**276**	276
Interest expenses on lease liabilities to Mr. Wang	**10**	21

38. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-trade nature		
Lease liabilities due to Mr. Wang	**–**	266

Lease liabilities are settled in accordance with the agreements entered into between the Group and Mr. Wang.

(d) Guarantee from related parties

Mr. Wang and Ms. Ding have provided guarantees in connection with interest-bearing bank borrowings up to RMB34,900,000 as at 31 December 2024 (Note 27).

(e) Compensation of key management personnel

	Years ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries and allowance	**4,038**	3,114
Retirement benefits	**180**	191
	4,218	3,305

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings RMB'000	Interest payables RMB'000	Lease liabilities RMB'000	Accrued issue cost RMB'000	Total RMB'000
At 31 December 2023 and 1 January 2024	155,250	65	936	–	156,251
Financing cash flow (Note)	15,100	(2,743)	(745)	(4,324)	7,288
New lease	–	–	100	–	100
Finance cost recognised	–	2,753	33	–	2,786
Deferred issue cost	–	–	–	6,498	6,498
At 31 December 2024 and 1 January 2025	**170,350**	**75**	**324**	**2,174**	**172,923**
Financing cash flow (Note)	**112,911**	**(10,051)**	**(1,420)**	**(21,805)**	**79,635**
New lease	**–**	**–**	**8,883**	**–**	**8,883**
Finance cost recognised	**–**	**10,168**	**141**	**–**	**10,309**
Deferred issue cost	**–**	**–**	**–**	**21,205**	**21,205**
At 31 December 2025	**283,261**	**192**	**7,928**	**1,574**	**292,955**

Note:

The cash flows represent new bank borrowings raised, the repayments of bank and other borrowings, interest paid, repayments of lease liabilities, payments of deferred issue costs and dividend paid in the consolidated statement of cash flows.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at the date of this report, details of all subsidiaries directly and indirectly held by the Company are set out below.

Name	Place and date of establishment/ incorporation	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
深圳市新琪安健康科技有限公司 Shenzhen Newtrend Health Technology Co., Ltd.*	PRC, 18 February 2011	RMB30,000,000	100%	–	Sales of sucralose products
江西安晟食品配料有限公司 Jiangxi Ansun Food Ingredients Co., Ltd.*	PRC, 5 December 2003	RMB20,000,000	100%	–	Production of food-grade glycine
南昌市新琪安科技有限公司 Nanchang Newtrend Technology Co., Ltd.*	PRC, 26 June 2017	RMB10,000,000	100%	–	Sales of food-grade glycine
西藏新琪安精細化工有限公司 Xizang Newtrend Fine Chemical Technology Co., Ltd.*	PRC, 23 April 2014	RMB10,000,000	99.9%	–	Production of industrial-grade glycine
Newtrend Food Ingredient (Thailand) Co., Ltd.	Thailand, 5 March 2013	THB180,000,000	98%	2%	Sales of sucralose and food-grade glycine
新琪安(荊州)新材料有限公司 Xinqian (Jingzhou) New Materials Co., Ltd.*	PRC, 4 December 2025	RMB50,000,000	100%	–	Production of food-grade glycine
NTFC (HK) CO., LIMITED	Hong Kong, 30 June 2015	HKD1,000,000	–	100%	Investment holding
Newtrend Europe B.V.	Netherlands, 10 November 2017	EUR100,000	–	100%	Sales of sucralose and food-grade glycine to Europe market
PT. Newtrend Nutrition Ingredient	Indonesia, 23 October 2019	IDR70,000,000,000	–	100%	Production of food-grade glycine
PT. NTFC Trading Indonesia	Indonesia, 3 May 2023	IDR10,100,000,000	–	100%	Dormant company

* English name for identification only.

The carrying amounts of the Company's investments in subsidiaries are set out below.

	As at 31 December 2025 RMB'000	2024 RMB'000
Unlisted shares, at cost	**98,131**	78,131
Less: Impairment loss	**(11,213)**	(11,213)
	86,918	66,918

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, new debts or the redemption of existing debts.

The capital structure of the Group consists of net debt, which includes the lease liabilities, bank borrowings and other borrowings disclosed in Notes 26, 27 and 28 respectively, net of cash and cash equivalents (Note 22) and equity of the Group, comprising issued share capital and reserves.

The net debt ratio at the end of the reporting period was as follows:

	2025 **RMB'000**	2024 RMB'000
Debts	**291,189**	170,674
Cash and cash equivalents	**(149,281)**	(46,129)
Net debts	**141,908**	124,545
Equity	**662,260**	479,119
Net debt to equity ratio	**21%**	26%

42. FINANCIAL INSTRUMENTS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Financial assets		
At fair value through profit or loss	**58,487**	–
At amortised cost:		
– trade and bills receivables	**340,951**	224,613
– deposits and other receivables (Note i)	**2,354**	1,477
– bank balances and cash	**168,544**	51,469
	511,849	277,559
	570,336	277,559
Financial liabilities		
At amortised cost:		
– trade and bills payables	**115,160**	96,285
– other payables (Note ii)	**34,222**	48,852
– lease liabilities	**7,928**	324
– bank borrowings	**194,600**	74,700
– other borrowings	**88,661**	95,650
	440,571	315,811

Notes:

(i) Excluded prepayment for acquisition of property, plant and equipment, prepayment for raw materials, prepayment of expenses, deferred issue cost, accrued expenses and deductible value-added tax.

(ii) Excluded other tax payables, salaries and wages payables and accrued issue cost.

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, bank and cash balances, restricted bank balances, borrowings, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group have foreign currency sales and bank balances which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Assets		
– USD	**318,865**	258,337
– HKD	**175,466**	–
Liabilities		
– USD	**7,643**	6,846

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

	Profit or loss	
	2025	2024
	RMB'000	RMB'000
USD	**15,561**	12,575
HKD	**8,773**	–

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank borrowings (Note 27) and lease liabilities (Note 26), all bear fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 22). The Group currently does not have any instruments to hedge against the fair value interest rate risk.

No sensitivity analysis is presented since the management of Group considers the exposure of cash flow interest rate risk arising from variable-rate bank balances and floating-rate bank borrowing is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as follows:

Trade receivables arising from contracts with customers

The Group mainly conducts transactions with customers with good quality and long-term relationship. When accepting new customers, the Group and the Company consider the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group and the Company continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk resulting from the Group's five largest customers contributed to the Group's revenue during the years. The percentage of trade receivables attributable to these five largest customers amounted to 79.8% and 83.1% as at 31 December 2024 and 2025 respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Bills receivables

The Group only accepts bills receivables with low credit risk. The Group's bills receivables are bank acceptance bills and therefore are considered to be low credit risk financial instruments. Those banks who issue bank acceptance bills are creditworthy banks with no recent history of default. For the years, loss allowance on bills receivables was insignificant.

Deposits and other receivables

For deposits and other receivables, the Group makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort.

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Bank balances

The Group's credit risk on bank balances is low and there is no significant concentration of credit risk because the bank balances are deposited with creditworthy banks with no recent history of default. Loss allowance on bank balances was insignificant for both years.

Financial guarantee

The Company provided guarantees for redemption liabilities (the "**Liability**") of Mr. Wang and Newtrend Industrial, which covered the principal, interests, penalties and other incidental expenses payable in relation to the Liability. As at 31 December 2024, the maximum credit risk exposure of the Liability was RMB74,673,000.

Mr. Wang and his relatives offered counter-guarantee with commercial real estates and residential real estates as pledged assets (the "**Pledged Assets**") for the Company's guarantee for the Liability. The fair value of the Pledged Assets was considered enough to shield the Company against almost any loss as a result of the guarantee related to the Liability. Because the Liability was overdue in 2022, the solicitor of the creditor issued a legal letter to the debtor, together with the Company, Newtrend Industrial and Mr. Wang to demand the payment of redemption. Since the Pledged Assets were considered enough to shield almost any loss arising from the financial guarantee of the Company, the management of the Company did not recognise a provision for the financial guarantee for the year ended 31 December 2024.

All financial guarantees were released upon listing in 2025, and there was no outstanding financial guarantee as at 31 December 2025.

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit Rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the assets is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

Financial assets at amortised cost	12m ECL or lifetime ECL	2025 Gross carrying amount RMB'000	2024 Gross carrying amount RMB'000
Bank balances	12m ECL	168,544	51,469
Trade receivables – contracts with customers	Lifetime ECL (collective assessment, not credit-impaired)	357,315	231,706
	Lifetime ECL (individual assessment, not credit impaired)	–	90
	Lifetime ECL (credit-impaired)	495	471
		357,810	232,267
Bill receivables	12m ECL	4,864	4,449
Deposits and other receivables	12m ECL	2,548	1,601

As part of the Group's credit risk management, the Group applies internal credit ratings for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired trade receivables which are assessed based on a collective basis under lifetime ECL model. Credit-impaired debtor with gross carrying amount of approximately RMB471,000 and RMB495,000 for the years ended 31 December 2024 and 2025, respectively was assessed individually.

Internal credit rating	2025 Average loss rate	2025 Trade receivables RMB'000	2024 Average loss rate	2024 Trade receivables RMB'000
Low risk	5%	290,080	5%	231,706
Watch list	10%	67,235	–	
		357,315		231,706

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (collective assessment, not credit-impaired) RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 31 December 2023 and 1 January 2024	5,982	–	459	6,441
Transfer to lifetime ECL (not credit-impaired)	(4)	4	–	–
Impairment losses recognised	5,653	43	–	5,696
Exchange adjustments	(45)	–	11	(34)
At 31 December 2024 and 1 January 2025	**11,586**	**47**	**470**	**12,103**
Impairment losses recognised	**9,777**	**(47)**	**42**	**9,772**
Exchange adjustments	**(135)**	**–**	**(17)**	**(152)**
At 31 December 2025	**21,228**	**–**	**495**	**21,723**

The Group makes full provision for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Movements in the loss allowance account in respect of other receivables during the years ended 31 December 2024 and 2025 are disclosed in Note 20.

42. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings, ensures compliance with loan covenants and renews bank borrowings, if necessary.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including both interest and principal.

	Effective interest rate %	On Demand or less than 1 month RMB'000	1 to 3 months RMB'000	3 to 12 months RMB'000	More than 1 year RMB'000	2 to 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying value RMB'000
As at 31 December 2024								
Non-derivatives financial liabilities								
Trade and bills payables	–	78,486	3,828	13,971	–	–	96,285	96,285
Other payables	–	44,839	2,276	1,737	–	–	48,852	48,852
Lease liabilities	4.30	31	31	276	–	–	338	324
Bank borrowings	3.34	206	10,378	65,716	–	–	76,300	74,700
Other borrowings – non-interest bearing	–	95,650	–	–	–	–	95,650	95,650
Total		219,212	16,513	81,700	–	–	317,425	315,811
Guarantee issued								
Maximum guarantee exposure		74,673	–	–	–	–	74,673	74,673

	Effective interest rate %	On Demand or less than 1 month RMB'000	1 to 3 months RMB'000	3 to 12 months RMB'000	More than 1 year RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying value RMB'000
As at 31 December 2025									
Non-derivatives financial liabilities									
Trade and bills payables	–	72,130	12,852	30,178	–	–	–	115,160	115,160
Other payables	–	30,021	14	4,187	–	–	–	34,222	34,222
Lease liabilities	3.1	129	388	776	1,294	5,433	647	8,667	7,928
Bank borrowings	2.74	439	25,884	154,315	18,267	–	–	198,905	194,600
Other borrowings	6.25	455	4,876	7,599	86,030	–	–	98,960	88,661
Total		103,174	44,014	197,055	105,591	5,433	647	455,914	440,571

42. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost approximate to their fair values at the end of each reporting period.

The following presents the Group's financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13 Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(A) ASSETS MEASURED AT FAIR VALUE

	Level 1 RMB$'000	Level 2 RMB$'000	Level 3 RMB$'000	Total RMB$'000
As at 31 December 2025				
Financial assets at FVTPL				
Unlisted cash management note in Hong Kong (Note)	–	–	58,487	58,487

Note:

The directors of the Company considered that the fair value of the unlisted cash management note was its principal amount of HK$65,000,000 (equivalent to RMB58,487,000), and was approximately equal to its carrying amount. During the year ended 31 December 2025, no fair value changes were credited or charged to the consolidated statement of profit or loss.

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

42. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments *(Continued)*

(B) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENT

	RMB$'000
At 1 January 2025	–
Addition	58,487
At 31 December 2025	58,487

(C) FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The carrying amount of the financial assets and liabilities of the Group that are carried at amortised cost are not materially different from their fair value as at 31 December 2025 and 2024.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years.

43. EVENTS AFTER THE YEARS

There are no significant events that require additional disclosure or adjustments occurred after 31 December 2025.

Newtrend

新琪安集團股份有限公司
NEWTREND GROUP HOLDING CO., LTD.