



Zhejiang Chang'an Renheng Technology Co., Ltd.*
浙江长安仁恒科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 8139

2025
Annual Report

* For identification purpose only

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This report, for which the directors (the "Directors") of Zhejiang Chang'an Renheng Technology Co., Ltd. (the "Company", together with its subsidiaries, the "Group", "we", "our" or "us") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("the GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

* For identification purpose only

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Corporate Information

DIRECTORS

Executive Directors

Mr. Zhang Youlian (*Chairman*)
Mr. Fan Fang
Mr. She Wenjie

Non-executive Director

Ms. Zhang Jinhua

Independent Non-executive Directors

Mr. Zhang Lei
Mr. Tang Jingyan
Mr. Chen Jianping

AUDIT COMMITTEE

Mr. Zhang Lei (*Chairman*)
Mr. Tang Jingyan
Mr. Chen Jianping

NOMINATION COMMITTEE

Mr. Tang Jingyan (*Chairman*)
Mr. Zhang Li
Mr. Fan Fang

REMUNERATION COMMITTEE

Mr. Zhang Li (*Chairman*)
Mr. Tang Jingyan
Mr. Fan Fang

SUPERVISORY COMMITTEE

Mr. Xu Qinsi (*Chairman*)
Mr. Zhang Donglian
Ms. Li Lijiao

COMPANY SECRETARY

Mr. Chan Hon Wan

COMPLIANCE OFFICER

Mr. Fan Fang

AUTHORISED REPRESENTATIVES

Mr. Chan Hon Wan
Mr. Zhang Youlian

Corporate Information

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AUDITOR

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REGISTERED ADDRESS

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Changxing County
Zhejiang Province
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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North Point
Hong Kong

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Zhicheng Town, Changxing County
Zhejiang Province, PRC

Industrial and Commercial Bank of China
Huzhou Changxing Sub-branch
No. 218, Middle Jinling Road
Zhicheng Town, Changxing County
Zhejiang Province, PRC

China Merchants Bank
Hangzhou Chengxi Sub-branch
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Hangzhou City
Zhejiang Province, PRC

COMPANY'S WEBSITE

www.renheng.com

STOCK CODE

8139

Financial Highlights

	For the year ended 31 December		
	2025	2024	Changes
	RMB'000	RMB'000	Increase/(Decrease)
Financial Highlights			
Revenue	207,439	194,863	6.5%
Cost of sales	(128,698)	(114,765)	12.1%
Gross profit	78,741	80,098	(1.7)%
Profit before income tax	472	1,429	(67.0)%
(Loss)/profit attributable to the equity holders of the Company	(76)	1,270	N/A
Basic (losses)/earnings per share (RMB)	(0.00)	0.03	N/A
Proposed final dividends per share (HK\$)	NIL	NIL	N/A

	As at 31 December		
	2025	2024	Changes
			Increase/(Decrease)
Current ratio ⁽¹⁾	0.92	0.96	(4.2)%
Quick ratio ⁽²⁾	0.61	0.60	1.7%
Gearing ratio ⁽³⁾	133.9%	132.0%	1.9 pts

Notes:

- (1) Current ratio represents total current assets divided by total current liabilities as at the relevant year end.
- (2) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year end.
- (3) Gearing ratio represents total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year and multiplied by 100%.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors, I hereby present the annual report of Zhejiang Chang'an Renheng Technology Company, Limited for the year ended 31 December 2025 (the "Year Under Review") to shareholders (the "Shareholders") and potential investors.

RESULTS OF OPERATION

The Group recorded a revenue of approximately RMB207,439,000 for the year ended 31 December 2025, representing an increase of approximately RMB12,576,000 or 6.5% as compared to the previous year of approximately RMB194,863,000. Loss for the year attributable to the equity holders of the Company was approximately RMB76,000, while there was a profit of approximately RMB1,270,000 for the year ended 31 December 2024. The overall gross profit margin was 38.0%, representing a decrease of 3.1% points as compared to 41.1% for the previous year. Losses per share was approximately RMB(0.00), while there was a earnings per share was approximately RMB0.03 for the previous year. The Board believes that the existing financial position and cash flow of the Group are sufficient to support the long-term development of the Group.

BUSINESS DEVELOPMENT OF THE GROUP

In 2025, the business focus of the Group was to promote products such as bentonite for paints and coatings, bentonite for oil fields and grease mortar. The Group's bentonite for oilfield use is made of bentonite modified by sodium modification and compounded. The product is suitable for oil drilling and geothermal drilling with excellent plugging and wall protection, and have the advantages of high slurry rate, good thixotropy and excellent lubrication and support properties. In 2025, the Group's subsidiary in the USA operated normally focusing on the promotion of bentonite for oilfield use and bentonite for paints and coatings.

FUTURE OUTLOOK AND PLANED STRATEGY

In 2026, the Group will focus on developing overseas customer markets, expanding foreign trade business, and focusing on developing sales markets in North America, Europe and Southeast Asia. The Group will continue to adhere to the profit-centered and innovation-driven development strategy, and actively develop new products, open up new markets, and create maximum value for shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our Shareholders, investors and business partners for their full trust and support to the Group.

Chang'an Renheng hereby expresses its sincere gratitude to every customer, partner and friend from different sectors in the society for their trust and support. In the new year, we will continue to improve the quality of products and services and strive to create a better life experience for everyone.

We would like to thank our Directors, management team and all employees for their tireless efforts, cooperation and contributions. In 2026, we will work together to embrace a more splendor future, to strive for maximum returns for our Shareholders, and work hard for the high quality and healthy development of the Group!

Mr. Zhang Youlian
Chairman of the Board

Zhejiang, the PRC, 31 March 2026

Management Discussion and Analysis

INDUSTRY REVIEW

The Group's main business is the research, development, production and sale of bentonite fine chemicals. The products are used in many fields such as paint coatings, paper manufacturing, water treatment and oil field.

China is a major producer of non-metallic mineral resources, and has maintained the global top position in both production and consumption volume for years. In recent years, national industrial policies have steered the sector to shift its development focus from scale expansion to quality improvement. Governments at all levels have tightened mineral resource planning, advanced mine consolidation, raised access criteria for mining activities, phased out small-scale, scattered and highly polluting mines, and encouraged large-scale and intensive development of the industry. The comprehensive promotion of green mine construction and intelligent upgrading has imposed higher requirements on enterprises, which are now expected to achieve energy conservation, consumption reduction, emission abatement and ecological restoration of mines throughout the mining and processing processes. Meanwhile, the ESG philosophy has gained growing prominence in the industry, and the unprecedentedly stringent mine safety requirements have driven enterprises to increase investment in safety and advance technological upgrading.

The bentonite industry has reached a general consensus on prioritizing deep processing and value enhancement, shifting its development model from the sale of raw ores and primary processed products (e.g., calcium-based bentonite and primary sodium-based bentonite) to the production of high-value-added products such as modified bentonite (including organic, lithium-based and acid-activated bentonite, among others), purified bentonite and nanocomposites. Escalating environmental pressures have forced enterprises to optimize mining methods, reduce dust pollution and carry out ecological restoration of mines. In the processing phase, wastewater treatment and comprehensive resource utilization have become standard industry practices. Enterprises are also placing greater emphasis on the stability of product quality, taking an active part in the formulation of national and industrial standards, and building their own brand advantages. The core of competition in the industry will lie in the R&D and development of customized functional mineral materials with specific properties (such as reinforcement, adsorption, catalysis and thixotropy), which are closely tailored to the actual demands of downstream industries.

China has remained the world's largest producer and consumer of coatings for consecutive years. Nevertheless, the growth rate of coating production has slowed significantly in recent years, with the industry transitioning from a stage of rapid expansion to a phase of steady growth at a moderate to low speed. The market scale of China's coating industry is estimated to range from approximately RMB300 billion to RMB400 billion.

Under the impetus of the "double carbon" goals and mandatory national standards such as the Technical Requirements for Low VOCs Content Coatings Products, the proportion of environmentally friendly coatings (green coatings) such as water-based, powder, high-solid and radiation-cured coatings has continued to increase rapidly.

The market share of solvent-based coatings has been continuously squeezed, especially in the fields of construction, furniture and industrial anti-corrosion. Water-based coatings have become an irreversible mainstream trend.

Industrial coatings are the biggest highlight. Particularly, the rapid growth of new energy vehicles has driven the demand for automotive coatings (electrophoretic paint, topcoat) and coatings for related components; the construction of new energy infrastructure such as wind power and photovoltaic has boosted the demand for high-performance anti-corrosion coatings; high-end equipment manufacturing, container, rail transit and other fields require coatings with higher performance. The demand for functional coatings is on the rise, such as antibacterial and antiviral coatings, thermal insulation coatings, self-cleaning coatings and artistic coatings, etc., to meet the needs of consumption upgrade and specific scenarios.

Management Discussion and Analysis

BUSINESS REVIEW

In 2025, the business focus of the Group was to promote products such as bentonite for paints and coatings, bentonite for oil fields and grease mortar. The Group's bentonite for oilfield use is made of bentonite modified by sodium modification and compounded. The product is suitable for oil drilling and geothermal drilling with excellent plugging and wall protection, and have the advantages of high slurry rate, good thixotropy and excellent lubrication and support properties. In 2025, the Group's subsidiary in the USA operated normally focusing on the promotion of bentonite for oilfield use and bentonite for paints and coatings.

In 2025, Yangyuan Renheng Fine Clay Co., Ltd. (陽原縣仁恒精細黏土有限責任公司), a subsidiary of the Group, successfully passed the review of and applied for the mining license for each five-year. The Group attaches great importance to the investment in research and development of new products. In 2025, the Group's research and development expenses amounted to approximately RMB13,740,000.

In 2025, the Group applied for and was recognized with two new products at provincial level, namely,

1. Additives for harmless treatment and recycling of waste paints and coatings;
2. Environmentally friendly high-solid pesticide dispersant.

During the year ended 31 December 2025, the Company also made investments in listed equity securities, which were fully disposed as at 31 December 2025 and a gain on disposal of such financial assets at FVPL of approximately RMB5,471,000 was recorded in "other gains/(losses) – net".

FINANCIAL REVIEW

1. Revenue

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the Year Under Review:

Product	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Organic bentonite	117,209	56.5	110,744	56.8
Papermaking chemicals series	35,819	17.3	34,777	17.9
Inorganic gel	28,848	13.9	28,160	14.5
Dry strength agent	12,433	6.0	12,888	6.6
Putty powder	6,849	3.3	2,598	1.3
Quality calcium-bentonite	3,069	1.5	2,347	1.2
Other chemicals (i)	3,212	1.5	3,349	1.7
Total	207,439	100.0	194,863	100.0

(i) Other chemicals mainly comprise flocculating agent which are principally applied in the sewage purification.

Total revenue was approximately RMB207,439,000 for the year ended 31 December 2025 (2024: approximately RMB194,863,000), representing an increase of approximately RMB12,576,000 or 6.5% as comparing the revenue of the Year Under Review with that of last year. The increase in revenue was mainly due to the increase in sales volume of organic bentonite and putty powder during the Year Under Review as compared to the year ended 31 December 2024.

Management Discussion and Analysis

2. Cost of sales

The cost of sales mainly comprised cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the Year Under Review:

	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Cost of raw materials and consumable	101,801	79.1	90,099	78.5
Direct labour costs	12,998	10.1	11,268	9.8
Manufacturing overhead costs	10,939	8.5	10,536	9.2
Others	2,960	2.3	2,862	2.5
Total	128,698	100.0	114,765	100.0

The cost of sales increased by approximately RMB13,933,000 or 12.1% from approximately RMB114,765,000 for the year ended 31 December 2024 to approximately RMB128,698,000 for the year ended 31 December 2025.

Cost of raw materials and consumable accounted for approximately 79.1% and 78.5% of cost of sales for the year ended 31 December 2025 and 2024, respectively. The cost of raw materials and consumable increased by approximately RMB11,702,000 or 13.0% from approximately RMB90,099,000 for the year ended 31 December 2024 to approximately RMB101,801,000 for the year ended 31 December 2025 was mainly due to the increase in production volume and average unit cost of CPAM. CPAM was the major raw material for a kind of product in papermaking chemicals with a relatively high unit cost. As the average unit cost of CPAM increased for the year ended 31 December 2025, the overall cost of sales increased accordingly.

Management Discussion and Analysis

Direct labour costs accounted for approximately 10.1% and 9.8% of cost of sales for the year ended 31 December 2025 and 2024, respectively. Direct labour costs increased by approximately RMB1,730,000 or 15.4% from approximately RMB11,268,000 to RMB12,998,000 during the comparative years.

Manufacturing overhead costs accounted for approximately 8.5% and 9.2% of cost of sales for the year ended 31 December 2025 and 2024, respectively. Manufacturing overhead costs increased by approximately RMB403,000 or 3.8% from approximately RMB10,536,000 for the year ended 31 December 2024 to approximately RMB10,939,000 for the year ended 31 December 2025.

3. Gross profit and gross profit margin

The gross profit decreased by approximately RMB1,357,000 or 1.7% from approximately RMB80,098,000 for the year ended 31 December 2024 to approximately RMB78,741,000 for the Year Under Review. The decrease was mainly due to the decrease in gross profit margin.

Gross profit margin for the Year Under Review was 38.0%, representing a decrease of 3.1% points as compared to 41.1% for the previous year. The decrease in gross profit margin was mainly due to the change in sale mix.

4. Selling expenses

The selling expenses for the year ended 31 December 2025 and 2024 amounted to approximately RMB38,323,000 and RMB34,469,000, respectively. The selling expenses increased by approximately RMB3,854,000 or 11.2% mainly because of the increase in transportation expenses, marketing and promotion expenses, travelling expenses and staff costs during the Year Under Review.

5. Administrative expenses

The administrative expenses increased by approximately RMB4,177,000 or 18.0% from approximately RMB23,168,000 for the year ended 31 December 2024 to approximately RMB27,345,000 for the year ended 31 December 2025. The increase was mainly due to the increase in depreciation and staff costs.

6. Reversal of/(provision for) impairment on financial assets

The reversal of impairment on financial assets was approximately RMB1,482,000 for the year ended 31 December 2025, while there was a provision for impairment of approximately RMB30,000 for the year ended 31 December 2024.

7. Research and development expenses

The research and development expenses decreased by approximately RMB1,802,000 or 11.6% from approximately RMB15,542,000 for the year ended 31 December 2024 to approximately RMB13,740,000 for the year ended 31 December 2025. The decrease was mainly due to the decrease in scale of the research and development project for the environmental protection field with Jilin Design and Research Institute for petrochemical engineering.

Management Discussion and Analysis

8. Other income and gains, net

Other income and gains, net for the year ended 31 December 2025 and 2024 amounted to approximately RMB7,147,000 and RMB1,047,000, respectively. The increase in other income and gains, net was mainly due to the gains from disposal of financial assets at FVPL of approximately RMB5,471,000 for the year ended 31 December 2025. The details are set out in Note 8 and 19(b) to the consolidated financial statements.

9. Finance costs – net

The finance costs - net increased by approximately RMB984,000 or 15.1% from approximately RMB6,507,000 for the year ended 31 December 2024 to approximately RMB7,491,000 for the year ended 31 December 2025. The increase was mainly due to the increase of interest expenses on borrowings as a result of the increase in average bank borrowings. The bank borrowings were financed for working capital and capital investments in the production facilities.

10. Income tax expense

The income tax expense for the year ended 31 December 2025 and 2024 amounted to approximately RMB549,000 and RMB159,000, respectively. The income tax expense increased by approximately RMB390,000 or 245.3% mainly due to the increase in deferred income tax. The details are set out in Note 12 to the consolidated financial statements.

The effective tax rates were 116.3% and 11.1% for the years ended 31 December 2025 and 2024, respectively.

11. (Loss)/profit for the year attributable to the equity holders of the Company

As a result of the foregoing, the loss for the year attributable to the equity holders of the Company was approximately RMB76,000 for the year ended 31 December 2025, while there was a profit of approximately RMB1,270,000 for the year ended 31 December 2024.

Management Discussion and Analysis

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

1. Inventories

The inventories comprise raw materials, finished goods and low-value consumables. The following table sets out the inventories as at balance sheet dates indicated:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Raw materials	50,932	52,617
Finished goods	17,779	17,236
Low-value consumables	3,870	3,759
Less: provision for write-down	(697)	(697)
Total	71,884	72,915

Raw materials mainly comprised bentonite and CPAM. Finished goods are bentonite fine chemicals mainly applied in the papermaking industries. The Group customizes the formulas for bentonite fine chemicals based on customers' requirements and makes enhancement in response to customers' production conditions.

Provision for impairment of inventories

The Group has established policies to evaluate the amount of provision required for impairment of inventories. The Group inspects and reviews the aging and conditions of inventories on a regular basis. If the Group considers that the inventories have become obsolete or damaged, provision for impairment of inventories will be provided against these inventories to reflect the net realisable value of these inventories.

The amount of the provision for impairment of inventories was approximately RMB697,000 at 31 December 2025 (31 December 2024: RMB697,000).

Inventory turnover

The following table sets out the average inventory turnover days for the year indicated:

	Year ended 31 December	
	2025	2024
Average inventory turnover days (<i>note</i>)	205	221

Note:

Average inventory turnover days are equal to the average inventory divided by cost of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the financial year plus inventory at the end of the financial year and divided by 2.

The average inventory turnover days decreased from 221 days for the year ended 31 December 2024 to 205 days for the year ended 31 December 2025. The decrease in average inventory turnover days in 2025 was primarily due to the increase in cost of sales.

Management Discussion and Analysis

2. Trade and other receivables, prepayments and other current assets

The following table sets out an analysis of the trade and other receivables, prepayments and other current assets as at the balance sheet dates indicated:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade receivables	85,768	77,868
Less: provision for impairment	(5,044)	(6,262)
Trade receivables – net	80,724	71,606
Other receivables	1,328	2,917
Less: provision for impairment	(38)	(203)
Other receivables – net	1,290	2,714
Prepayments	6,542	8,898
Other current assets	746	799
Trade and other receivables, prepayments and other current assets	89,302	84,017

Trade receivables

Trade receivables as at 31 December 2025 and 2024 mainly represented the outstanding amounts of receivable from customers less any provision for impairment of trade receivables. The following table sets out an analysis of the trade receivables as at the balance sheet dates indicated:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade receivables	85,768	77,868
Less: provision for impairment	(5,044)	(6,262)
Trade receivables – net	80,724	71,606

The customers are normally required to make payment pursuant to the credit terms which is determined by the length of the customers' relationship with the Group and the contract value. The Group generally provides a credit term normally from 90 days to 180 days to its customers.

Management Discussion and Analysis

The table below sets out the aging breakdown of trade receivables as at the balance sheet dates indicated:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within 180 days	65,887	54,628
Over 180 days and within 1 year	14,607	12,961
Over 1 year and within 2 years	1,408	6,699
Over 2 years and within 3 years	361	262
Over 3 years	3,505	3,318
Total	85,768	77,868

The Group's trade receivables increased by approximately RMB7,900,000 or 10.1% from approximately RMB77,868,000 as at 31 December 2024 to approximately RMB85,768,000 as at 31 December 2025. The trade receivables due over 180 days decreased by approximately RMB3,359,000 or 14.5% from approximately RMB23,240,000 as at 31 December 2024 to approximately RMB19,881,000 as at 31 December 2025. The decrease was mainly due to the decrease in trade receivables due over 2 years and within 3 years during the Year Under Review.

Trade receivables turnover days

The following table sets out the Group's trade receivables turnover days for the year indicated:

	Year ended 31 December	
	2025	2024
Trade receivables turnover days (<i>note</i>)	144	140

Note:

The number of trade receivables turnover days is calculated as average trade receivables (trade receivables at the beginning of the year plus trade receivables at the end of the year then divided by 2) divided by total revenue for the year multiplied by 365.

The Group's trade receivables turnover days for the years ended 31 December 2025 and 2024 was approximately 144 days and 140 days respectively. The increase of turnover days was mainly due to the increase in average trade receivables.

Provision for impairment of trade receivables

Trade receivables is subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates of trade receivables is based on the payment profiles of sales over a period of 60 months before 31 December 2025 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers. The Group has identified the GDP and Producer Price Index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Management Discussion and Analysis

3. Trade and other payables

The following table sets out an analysis of the trade and other payables as at the balance sheet dates indicated:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade payables	16,964	18,995
Other payables	11,721	11,612
Staff salaries and welfare payables	6,837	7,395
Accrued taxes other than income tax	2,716	1,219
Total	38,238	39,221

As at 31 December 2025 and 2024, all trade and other payables of the Group were non-interest bearing, and their fair values, except for the advances from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

The trade payables decreased by approximately RMB2,031,000 or 10.7% from approximately RMB18,995,000 as at 31 December 2024 to approximately RMB16,964,000 as at 31 December 2025.

Trade payables turnover days

The following table sets out the Group's trade payables turnover days for the year indicated:

	Year ended 31 December	
	2025	2024
Trade payable turnover days (<i>note</i>)	51	93

Note:

The number of trade payables turnover days is calculated as average trade payables (trade payables at the beginning of the year plus trade payables at the end of the year then divided by 2) divided by cost of sales for the year multiplied by 365.

The trade payables turnover days decreased from 93 days for the year ended 31 December 2024 to 51 days for the year ended 31 December 2025, which was due to the decrease in average trade payables and increase in cost of sales for the Year Under Review.

4. Property, plant and equipment

Our property, plant and equipment comprised (i) buildings, fixtures and facilities; (ii) machinery and equipment; (iii) vehicles; (iv) electronic and office equipment; and (v) construction in progress. The carrying amount of our property, plant and equipment decreased by approximately RMB8,474,000 or 8.0% from approximately RMB106,342,000 as at 31 December 2024 to approximately RMB97,868,000 as at 31 December 2025. The details are set out in Note 14 to the consolidated financial statements.

Management Discussion and Analysis

CASH FLOWS

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB21,759,000, which mainly comprised the net cash generated from operating activities of approximately RMB15,661,000, net cash used in investing activities of approximately RMB10,130,000, net cash generated from financing activities of approximately RMB16,228,000, and the foreign exchange loss of approximately RMB34,000. Details of cash flows of the Group are set out on page 49 of the "Consolidated Cash Flow Statement" of this report.

CAPITAL STRUCTURE

1. Indebtedness

The total indebtedness of the Group as at 31 December 2025 was approximately RMB196,874,000 (31 December 2024: approximately RMB172,958,000). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

2. Gearing ratio

As at 31 December 2025, the Group's gearing ratio was approximately 133.9% (31 December 2024: 132.0%), calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year multiplied by 100%. The increase was mainly due to the increase in bank borrowings.

3. Pledge of assets

As at 31 December 2025, the Group had pledged certain land use rights, property, plant and equipment and financial assets at FVOCI with aggregate carrying amount of approximately RMB16,357,000 (31 December 2024: approximately RMB15,463,000).

4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, construction in progress. The Group's capital expenditures amounted to approximately RMB10,701,000 and RMB30,081,000 for the year ended 31 December 2025 and 2024, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Year Under Review, the weighted average effective annual interest rate of secured or guaranteed borrowings was 3.47% and the weighted average effective annual interest rate of unsecured borrowings was 3.50%. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 31 December 2025, the Group had cash and cash equivalents of RMB38,056,000 (31 December 2024: approximately RMB16,331,000) which was mainly generated from operations of the Group.

Management Discussion and Analysis

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2025, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

CAPITAL COMMITMENT

As at 31 December 2025, the Group had capital commitment of approximately RMB463,000 (31 December 2024: approximately RMB1,672,000).

SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products and all of the Group's operations are carried out in China. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2025, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2025, the Company also made investments in listed equity securities, which were fully disposed as at 31 December 2025 and a gain on disposal of such financial assets at FVPL of approximately RMB5,471,000 was recorded in "other gains/(losses) – net".

FUTURE OUTLOOK

The Group develops the following strategic new products based on bentonite mines and their associated mines. The products are divided into three categories: organic bentonite series; water-based bentonite series; and inorganic gel series.

The Group will focus on developing customized functional mineral materials with specific properties (such as reinforcement, adsorption and thixotropy), and closely align with the demands of downstream industries. The Group will research and develop bentonite mineral functional materials and related products to transform bentonite resource advantages into economic advantages, and gradually introduce automation and intelligence technologies in the management and production processes to enhance production efficiency and product consistency.

The Group will focus on niche markets and follow a specialized and differentiated development path. The Group will develop products such as high-solid coating rheological additives and high-solid oil-based pesticide suspension agents, and attach importance to the R&D investment in green and environmental-friendly products.

The Group will develop bentonite products for deep wells, ultra-deep wells and offshore drilling, and strive to establish cooperative relations with R&D institutions in the petroleum industry and jointly develop new products. The Group will also improve resource efficiency and market competitiveness.

In 2026, the Group will focus on developing overseas customer markets, expanding foreign trade business, and focusing on developing sales markets in North America, Europe and Southeast Asia. The Group will continue to adhere to the profit-centered and innovation-driven development strategy, and actively develop new products, open up new markets, and create maximum value for shareholders.

Management Discussion and Analysis

HUMAN RESOURCES AND TRAINING

For the year ended 31 December 2025, the Group had a total of 228 employees, of which 96 worked at the Group's headquarter in Changxing, and 132 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. The overall gender ratio in the workforce for male to female was male 80.7% to female 19.3%. Total staff cost for the Year Under Review amounted to RMB36,629,000 (2024: RMB35,704,000). The Group releases an annual sales guideline at the beginning of each year, formulates the sales strategies and sets out the sales targets of different sales areas after discussing with sales representatives. At the end of each year, the Group makes performance appraisal for sales personnel based on the review results and the achievement of sales target.

During the Year Under Review, the Group adhered to the "human-oriented" management concept to have its staff closely involved in the development of the Group and provided them with skills training. The Group formulates workflow and service specifications for its employees, conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

DIVIDENDS

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2025 (2024: Nil).

Directors' and Senior Management's Biographies

DIRECTORS

Executive Directors

Mr. Zhang Youlian (張有連), aged 64, was appointed as a Director and the Chairman of the Board (董事長) on 29 December 2008. Mr. Zhang graduated from Zhejiang Taizhou Business School (浙江台州商業學校) in July 1982. He worked for Changxing Agricultural Materials Co. (長興農資公司) between February 1982 and May 1987. He worked as the vice director (理事副主任) of Changxing Litang Supplier (長興里塘供銷社) between May 1987 and December 1999. He founded Changxing Renheng Fine Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in December 2000 and has been a Director of the Board since December 2008. Mr. Zhang has been appointed as Chairman of the board of directors of Shanghai Nongfuguoyuan Co., Ltd. (上海農夫果園有限公司), Changxing Guyinxing Tourism Resort Co., Ltd. (長興古銀杏旅遊度假山莊有限公司) and Changxing Wuguo Agriculture and Technology Co., Ltd. (長興五果農業科技有限公司), since June 2001, February 2003 and August 2010, respectively. Mr. Zhang is a brother of Ms. Zhang Jinhua (張金花), a non-executive Director; and a cousin of Mr. Zhang Donglian (張冬連), a supervisor.

Mr. Fan Fang (范芳), aged 60, was appointed as a Director of the Company on 29 December 2008 and is a member of the Nomination Committee and a member of Remuneration Committee. Mr. Fan graduated from Jinhua Supply and Marketing College in Zhejiang Province (浙江省金華供銷學校) in July 1985. He was responsible for financial matters of a subsidiary of the Changxing County Supplier (長興縣供銷社) between September 1985 and December 1997. Mr. Fan has been appointed as the head of the finance department of the Company since March 2003. Mr. Fan was appointed as the financial controller of the Company as well on 15 August 2019.

Mr. She Wenjie (余文傑先生), aged 38, was appointed as a Director on 19 October 2019. Mr. She has been a salesman of our Company since 2016. From 2012 to 2016, Mr. She worked as a salesman of Zhejiang Hongyu New Materials Co., Ltd.* (浙江紅宇新材料股份有限公司). Mr. She held the position of a sales manager of the Northern West district of Changxing Dingneng Electrical Co., Ltd.* (長興鼎能電源有限公司). He completed his tertiary education at Changxing Huasheng Huasheng Hongxi Secondary School* (長興華盛洪溪中學) in 2006.

Non-Executive Director

Ms. Zhang Jinhua (張金花), aged 53, was appointed as a non-executive Director of the Company on 14 May 2016. She worked for Changxing Gulong Hotel (長興古龍大酒店) from January 1994 to December 2002 and was in charge of procurement work for the hotel. She joined the Company in January 2003 and was in charge of finance related work of the Company. Ms. Zhang is the sister of Mr. Zhang Youlian (張有連), the executive Director and Chairman of the Company and a cousin of Mr. Zhang Donglian (張冬連), a supervisor of the Company.

* For identification purpose only

Directors' and Senior Management's Biographies

Independent Non-Executive Directors

Mr. Zhang Lei (章磊), aged 44, was appointed as an independent non-executive Director, the chairman of the Audit Committee and Remuneration Committee, and a member of Nomination Committee on 11 May 2019. He obtained a bachelor's degree in management which was awarded by Zhejiang University of Finance and Economics (浙江財經大學) in June 2003 and a master's degree in accounting which was awarded by Xiamen University (廈門大學) in December 2013. He served as the audit project manager and the department manager in Zhejiang Oriental Accounting Firm and a manager and a partner of Tianjian Certified Public Accountants. He had been a partner of Ruihua Certified Public Accountants. At present, he is a senior partner of Zhonghui Certified Public Accountants. He is a Certified Public Accountant and an International Internal Auditor. He is also a tutor for the program of Master of Accounting at Zhejiang University of Technology (浙江工業大學) and a tutor for the Master of Professional Accounting of Zhejiang University (浙江大學).

Mr. Tang Jingyan (唐靖炎先生), aged 69, was appointed as an independent non-executive Director, the chairman of the Nomination committee and a member of Audit Committee and Remuneration Committee on 19 October 2019. Mr. Tang has been a vice president of the China Non-metallic Minerals Industry Association since August 2016. From 2006 to 2016, Mr. Tang was the chairman and general manager of Suzhou SINOMA Design & Research Institute of Non-metallic Minerals Industry Co., Ltd.* (中國建材集團蘇州中材非金屬礦工業設計研究院有限公司), the director of the National Institute of Non-metallic Mineral Processing Engineering Technology* (國家非金屬礦深加工工程技術研究中心) and a vice president of Sinoma Science & Technology Co., Ltd.* (中材科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 00280). Mr. Tang was awarded the title of professorate senior engineer in 1999. From 1990 to 1996, Mr. Tang worked in Suzhou Non-metallic Mineral Industry Design Academia* (蘇州非金屬礦工業設計研究院) and became the deputy president in 1993 and the president in 1996 respectively. Mr. Tang obtained his doctorate degree in mineral processing engineering from Wuhan University of Technology in 2008 and obtained his bachelor's degree from JiangXi University of Science and Technology in 1982 respectively.

Mr. Chen Jianping (陳建平), aged 67, was appointed as an independent non-executive Director and a member of Audit Committee on 21 February 2022. Mr. Chen obtained a bachelor's degree in administrative management profession and law awarded by East China Normal University in 1989 and a master degree of advanced business administration awarded by National Accounting Institute in 2007. In 2000, he obtained the qualification as a senior economist. Mr. Chen has worked in the futures industry for nearly thirty years. He participated in the establishment of the Shanghai Grain and Oil Commodity Exchange* (上海糧油商品交易所) from 1991 to 1998, and had worked as the manager of the trading department of the Shanghai Grain and Oil Commodity Exchange. He participated in the establishment of the Shanghai Futures Exchange from 1998 to 2015, and had worked as the senior supervisor of the trading department, information department, marketing department, membership department and supervision department of the Shanghai Futures Exchange and the executive supervisor of the trading operation committee of the Shanghai Futures Exchange. He had worked as the executive dean, dean and director of Shanghai Institute of Futures and Derivatives from 2015 to 2018. He had worked as the chief of the postdoctoral workstation and postdoctoral tutor of Shanghai Futures Exchange from 2015 to 2018.

He had served as an arbitrator of the Shanghai Arbitration Commission from 1995 to 2001, a member of the Futures Company Classification Supervision Review Committee of the China Securities Regulatory Commission from 2009 to 2012, and a member of the Futures Analyst Committee of the China Futures Association from 2008 to 2011. From 2020 to 2021, he has been a part-time professor in Shanghai Ocean University. Since 2020, he has been a corporate tutor of the College of Economics and Management of Shanghai Ocean University. Since 2018, he has been a member of the Academic Committee of the Beijing Dalian Commodity Exchange Futures and Options Research Centre* (北京大商所期貨與期權研究中心).

* For identification purpose only

Directors' and Senior Management's Biographies

SUPERVISORY COMMITTEE

Mr. Xu Qinsi (徐勤思), aged 61, is the chairman of the Supervisory Committee and was appointed as a Supervisor on 1 September 2012. He is an economist. Mr. Xu served as the vice plant manager of Changxing Thread Factory* (長興線廠) between October 1993 and August 2005. He graduated from the correspondence school at Party School of the Central Committee of Communist Party of China* (中共中央黨校), majored in economic management, in December 1997. Mr. Xu served as the head of the office of the Company between September 2006 and March 2009. He worked for Zhejiang Tailun Insulator Co., Ltd*. (浙江泰侖絕緣子有限公司) as a deputy director of its supply department between May 2009 and August 2010. Mr. Xu joined the Company again in August 2010 and has been responsible for human resources management. Mr. Xu Qinsi is a brother of Ms. Xu Qinwei (徐勤偉), the general manager of the Company, and the spouse of Ms. Ling Weixing (凌衛星), a Shareholder. Save as disclosed, Mr. Xu does not have any relationship with any other Director, Supervisor, senior management of the Company, the substantial shareholder or the controlling shareholder of the Company and does not hold any directorship in companies listed in Hong Kong or on overseas security market within the three years immediately preceding the date of this report.

Mr. Zhang Donglian (張冬連), aged 59, was appointed as a Supervisor on 29 December 2008. Mr. Zhang joined the Company in March 2007 and he is now the deputy general manager of Yangyuan Renheng Fine Clay Co., Ltd. (陽原縣仁恒精細粘土有限責任公司). Mr. Zhang Donglian is a cousin of Mr. Zhang Youlian (張有連), an executive Director, and Ms. Zhang Jinhua (張金花), a Shareholder and a non-executive Director. Save as disclosed, Mr. Zhang does not have any relationship with any other Director, Supervisor, senior management of the Company, the Substantial Shareholder or the Controlling Shareholder of the Company and does not hold any directorship in companies listed in Hong Kong or on overseas security market within the three years immediately preceding the date of this report.

Ms. Li Lijiao (李麗姣), aged 36, was elected as the employee representative to serve as a Supervisor on 22 March 2019. Ms. Li graduated from Hangzhou Institute of Technology (杭州職業技術學院) in June 2011. She worked for Changxing County Changshun Motor Sales Services Co. Ltd*. (長興縣長順汽車銷售服務有限公司) between June 2011 and July 2014. Ms. Li joined the Company in May 2016. She now serves as an assistant accounting supervisor of the Company.

* For identification purpose only

Directors' and Senior Management's Biographies

SENIOR MANAGEMENT

Ms. Xu Qinwei (徐勤偉), aged 70, is the general manager of the Company. Ms. Xu joined Changxing Jingu Industrial Co. (長興金谷實業公司) in July 1991. She was appointed as the deputy manager of Zhejiang Province Zhongrun Real Estate Co. Changxing Branch (浙江省中潤房地產總公司長興分公司) (in 2004 renamed as Zhejiang Province Zhongrun Food and Oil Trading Co.* (浙江省中潤糧油工貿公司)), a subsidiary of Zhejiang Province Food Group Co., Ltd.* (浙江省糧食集團有限公司), between April 1994 and March 2006. She has been the general manager of the Company since May 2006. Ms. Xu is a sister of Mr. Xu Qinsi (徐勤思), a Supervisor, and the spouse of Mr. Wang Shunmiao (王順淼), a Shareholder. Save as disclosed, Ms. Xu does not have any relationship with any other Director, Supervisor, senior management of the Company, the substantial shareholder or the controlling shareholder of the Company and does not hold any directorship in companies listed in Hong Kong or on overseas security market within the three years immediately preceding the date of this report.

Mr. Su Pin (蘇品), aged 61, Mr. Su graduated from the correspondence school at Party School of the Central Committee of Communist Party of China (中共中央黨校), with a graduation certificate in economic management, in December 2001. He is an economist. He served as a deputy general manager of Zhoushan Taihe Local Products Co., Ltd.* (舟山市泰和土產有限責任公司) between January 1991 and April 1994, he served as the general manager of Zhoushan Taihe Local Products Co., Ltd. between April 1994 and March 2000. He worked for Zhoushan Hongli Specialty Co., Ltd.* (舟山市弘立特產有限公司) as the general manager between April 2000 and June 2004. Mr. Su has been appointed as the deputy general manager of the Company since June 2004. Mr. Su does not have any relationship with any other Director, Supervisor, senior management of the Company, the substantial shareholder or the controlling shareholder of the Company and does not hold any directorship in companies listed in Hong Kong or on overseas security market within the three years immediately preceding the date of this report.

Mr. Chan Hon Wan (陳漢雲), aged 65, is the company secretary of the Company and joined the Group in April 2014. Mr. Chan graduated with a Bachelor's Degree in Economics from Macquarie University in Australia in 1986 and a Master's Degree in Accountancy from the Hong Kong Polytechnic University in 2005. He is currently an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA), and an associate member of The Institute of Chartered Accountants in Australia. Mr. Chan has over 37 years of extensive experience in accounting and finance fields, gaining from an international accounting firm and various listed corporations. He served as the financial controller of Fairwood Holdings Limited (stock code: 00052), a company listed on the Main Board of the Stock Exchange from 1995 to 1998. He worked as a corporate finance director of Texwood Limited from 2000 to 2005 and a Business Director of Texwood Group from 2006 to 2008.

* For identification purpose only

Corporate Governance Report

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company has complied with the code provisions, other than code provisions C.2.1 and C.1.8 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Year Under Review, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Model Code”) as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

BOARD OF DIRECTORS

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. Board should ensure that changes to its composition can be managed without undue disruption. Board should include a balanced composition of executive Directors (the “Executive Directors”), non-executive Director (the “Non-executive Director”) and independent non-executive Directors (the “Independent Non-executive Directors”) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Board currently comprises a total of seven Directors, being three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Mr. Zhang Youlian, Mr. She Wenjie and Mr. Fan Fang, served as Executive Directors, Ms. Zhang Jinhua served as Non-executive Director and Mr. Zhang Lei, Mr. Chen Jianping and Mr. Tang Jingyan served as Independent Non-executive Directors. These Independent Non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. One of the Independent Non-executive Directors is a qualified accountant who has appropriate professional qualifications or accounting or related financial management expertise. Each Non-executive Director and Independent Non-executive Director has been appointed for a 3-years term of services.

There is no financial, business, family or other material/relevant relationship amongst Directors and supervisors, except (i) Mr. Zhang Youlian is a brother of Ms. Zhang Jinhua, a Non-executive Director; and a cousin of Mr. Zhang Donglian, a supervisor; (ii) Ms. Zhang Jinhua is a sister of Mr. Zhang Youlian, an Executive Director; and a cousin of Mr. Zhang Donglian, a supervisor; and (iii) Mr. Zhang Donglian is a cousin of Mr. Zhang Youlian, an Executive Director, and Ms. Zhang Jinhua, a Non-executive Director.

Corporate Governance Report

Biographical details of and the relationship between the Directors and supervisors are set out in the section headed “Directors’ and Senior Management’s Biographies” on pages 19 to 22 of this report.

An updated list of Directors and their role and functions is maintained at the websites of the Company and the Stock Exchange and the Independent Non-executive Directors are identified by name in all corporate communications.

Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

Pursuant to Article 10.2 of the articles of association of the Company (the “Articles of Association”), Directors shall be elected or changed by the Shareholders’ meeting. Every term of a Director is three years. Upon expiry of the term, a Director shall be eligible for re-election and re-appointment.

RESPONSIBILITIES OF THE BOARD

All the Directors (including the Independent Non-executive Directors) have acquired a proper understanding of the Company’s operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. Every Director has given the Company the details on the number and nature of offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board focuses on formulating the Group’s overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management’s performance of the Group; and setting the Group’s values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the Directors continue to give sufficient time and attention to the Company’s affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Company’s corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board on 19 December 2014 in compliance with provision D.3.1 of the CG Code, which include (a) to develop and review the Company’s policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company’s compliance with the CG Code and relevant disclosure in the corporate governance report of the annual report of the Company.

The Board has performed the abovementioned corporate governance functions during the Year Under Review.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association. Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company. Up to the date of this report, no Independent Non-executive Director has served the Company more than 9 years.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy (the “Board Diversity Policy”). The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Corporate Governance Report

As at the date of this report, the Board comprises seven Directors. One of them is a woman. Three of the Directors are Independent Non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Group and that he/she is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

All Directors (with the names set out in the section "Board of Directors" in this Corporate Governance Report) are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge his/her duties. In addition, briefings and updates on the latest development regarding the GEM Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. On 14 August 2025, the Company organized a training session to provide each of the Directors with an update on the GEM Listing Rules.

BOARD COMMITTEES

The Board has formed three committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"), for overseeing particular aspects of the Company's affairs. All committees have been formed with specific written terms of reference in compliance with Appendix 15 to the GEM Listing Rules which deal with their respective authorities and duties.

Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary (the "Company Secretary"), are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

Members, duties and responsibilities of the committees are as follows:

AUDIT COMMITTEE

The Company established an Audit Committee on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Audit Committee has three members, namely Mr. Zhang Lei, Mr. Chen Jianping and Mr. Tang Jingyan, who are Independent Non-executive Directors. Mr. Zhang, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

During the Year Under Review, the Audit Committee had held two meetings and all the members attended the meetings. The attendance record of committee members at these meetings are set out in the section headed "Board Proceedings and Individual Attendance" of this report. Pursuant to the meeting of the Audit Committee held on 31 March 2026, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2025, the results announcement, this 2025 annual report and accounting principles and practices adopted for the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this annual report complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosures have been made.

Corporate Governance Report

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 26 March 2014 and has formulated its written terms of reference, which have been modified on 30 December 2022, in accordance with the prevailing provisions of the CG Code. The Remuneration Committee currently has three members, namely Mr. Fan Fang, an Executive Director, Mr. Tang Jingyan and Mr. Zhang Lei, both Independent Non-executive Directors. Mr. Zhang has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) to make recommendation to the Board the terms of remuneration packages, bonuses and other compensation (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management and to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. During the Year Under Review, the Remuneration Committee had held two meetings and all the members attended the meetings. The attendance record of the committee members at these meetings are set out in the section headed "Board Proceedings and Individual Attendance" of this report.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Nomination Committee currently has three members, namely Mr. Fan Fang, an Executive Director, Mr. Zhang Lei and Mr. Tang Jingyan, both Independent Non-executive Directors. Mr. Tang has been appointed as the chairman of the Nomination Committee.

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. In the selection and nomination for new Directors, the Nomination Committee identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. The Nomination Committee utilizes various methods for identifying potential candidates, including recommendations from the members of the Board, management, and professional search firms. All potential candidates are evaluated by the Nomination Committee based on their qualifications. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the Nomination Committee to assess them before a decision is made. New Directors are appointed by way of a board resolution, after the Nomination Committee has approved their nominations.

The principal responsibilities of the Nomination Committee are (among other things) to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of Independent Non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives. During the Year Under Review, the Nomination Committee had held two meetings and all the members attended the meetings. The attendance record of the committee members at these meetings are set out in the section headed "Board Proceedings and Individual Attendance" of this report.

Corporate Governance Report

BOARD PROCEEDINGS AND INDIVIDUAL ATTENDANCE

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve quarterly, interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate. Minutes of meetings of the Board and Board committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

Details of the attendance records of Directors on Board meetings, Board committee meetings, annual general meeting and extraordinary general meeting for the Year Under Review are as follows:

Name of Directors	Attendance/Number of meetings				Annual General Meeting
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Mr. Zhang Youlian (<i>Chairman</i>)	4/4	-	-	-	1/1
Mr. Fan Fang	4/4	-	2/2	2/2	1/1
Mr. She Wenjie	4/4	-	-	-	1/1
Non-executive Director					
Ms. Zhang Jinhua	4/4	-	-	-	1/1
Independent Non-executive Directors					
Mr. Zhang Lei	4/4	2/2	2/2	2/2	1/1
Mr. Tang Jingyan	4/4	2/2	2/2	2/2	1/1
Mr. Chen Jianping	4/4	2/2	-	-	1/1

Subsequent to the year ended 31 December 2025 and up to date of this report, the Board held another Board meeting on 31 March 2026 for the main purposes of approving the annual results of the Group for the year ended 31 December 2025, this annual report and formulating business development strategies. All Directors attended such meeting.

Corporate Governance Report

COMPANY SECRETARY

Mr. Chan Hon Wan was appointed as the Company Secretary of the Company on 1 April 2014. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the board policy and procedures. Mr. Chan resigned as the financial controller and Company Secretary of the Company on 31 March 2019 and rejoined as the Company Secretary of the Company on 15 August 2019.

During the Year Under Review, Mr. Chan has confirmed that he has duly complied with the relevant professional training requirements under Rule 5.15 of the GEM Listing Rules. Mr. Chan's biographical details are set out in the paragraph headed "Directors' and Senior Management's Biographies" in this report.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility, as set out in the Independent Auditor's Report, to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of PricewaterhouseCoopers, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal control and risk management

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the Year Under Review. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. The Group's risk management framework includes the following elements: (i) identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business; (ii) develop necessary measures to manage those risks; and (iii) monitor and review the effectiveness of such measures. The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and our Audit Committee reviews the Group's risk management systems from time to time in accordance with the prevailing Group's business environment.

Audit Committee reported to the Board the implementation of the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. Based on the reports from the Group's internal control department and the Audit Committee, the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG code.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the GEM Listing Rules and the Securities and Futures Ordinance (the "SFO") (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including: (i) arousing the awareness to preserve confidentiality of inside information within the Group; (ii) sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly; and (iii) disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

Corporate Governance Report

BUSINESS COMPLIANCE AND ANTI-CORRUPTION

We strive to maintain a high level of business integrity as it is vital to our reputation and the protection of our business partners and customers. To achieve so, the Group is in strict compliance with the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong, and the Anti-Money Laundering Law and the Criminal Law of the PRC.

We do not, in any case, tolerate any business misconduct and malpractices, this includes any form of bribery, extortion, fraud and money laundering. As stated clearly in the Prevention of Bribery Ordinance incorporated in our Employee's Handbook, unethical business practices such as the offering and accepting of gifts are strictly prohibited. Once we discover any misconduct committed, the employees will be subject to termination of employment or disciplinary action.

Holding on to the values of openness, probity and accountability, we have formulated the Whistleblowing Policy which allows employees to voice their concerns or if they suspect any misconduct is being committed within the business. As the policy provides absolute anonymous reporting channels, it protects the whistleblowers from any unfair treatment and undesired consequences such as dismissal, victimization and disciplinary action, even for substantiated cases. At the same time, the Audit Committee has been tasked with handling the cases and delineating the investigation procedures. The Whistleblowing Policy not only apply to internal employees but also to our suppliers and contractors.

During the Year Under Review, there were no reported legal cases regarding the corrupt practices of our employees relating to bribery, extortion, fraud and/or money laundering. Though the Group did not provide any internal anti-corruption training to directors and employees during the Year Under Review, they are encouraged to attend anti-corruption training provided by external parties at the Company's expenses.

EXTERNAL AUDITOR

PricewaterhouseCoopers has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by PricewaterhouseCoopers and considered that such services have no adverse effect on the independence of the external auditor.

For the year ended 31 December 2025, the fees payable to external auditor in respect of its audit services provided to the Group was RMB1,150,000. The external auditor did not provide non-audit service for the Group for the year ended 31 December 2025.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2025.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Any Shareholder(s) who individually or jointly hold 10% or more of the Company's issued voting shares at the date of the deposit of the requisition, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Room 1204, 12/F, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

Corporate Governance Report

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within thirty days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

According to article 8.6 of the Articles of Association, when the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five days before the date of the meeting (including the date of the meeting but excluding the date on which the written notice is sent) to notify all shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting twenty days before the date of the meeting.

Making Proposals at Shareholders' Meetings

According to article 8.7 of the Articles of Association, when the Company convenes a shareholder's annual general meeting, shareholders (either independently or jointly) holding 3% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of the shareholders in general meeting.

Shareholders who would like to propose new motions in annual general meeting should send the written requisition by post to the Company's principal place of business in Hong Kong at Room 1204, 12/F, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the Company's principal place of business in Hong Kong at Room 1204, 12/F, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong or by phone at (852) 2526 6311. Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there had been no significant change in the Company's constitutional documents. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.renheng.com to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

On behalf of the Board
Zhejiang Chang'an Renheng Technology Co., Ltd.
Mr. Zhang Youlian
Chairman of the Board

Zhejiang, PRC, 31 March 2026

Report of the Directors

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025 (the “Financial Statements”).

BACKGROUND

The Company was established in the PRC as a limited liability company in December 2000 and was converted into a joint stock limited liability company in December 2008 under the Company Law of the PRC. The Company's H Shares were listed on the GEM of the Stock Exchange on 16 January 2015.

PRINCIPAL BUSINESS

The Group is principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2025 and the state of affairs of the Company and the Group at that date are set out in the Financial Statements on pages 45 to 121.

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2025 (2024: Nil).

CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 20 May 2026, the register of members of the Company will be closed from Monday, 20 April 2026 to Wednesday, 20 May 2026 (both days inclusive) during which period no transfer of H shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's H share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Friday, 17 April 2026.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the “Management Discussion and Analysis” on pages 7 to 18. An analysis of the Group's performance during the Year Under Review using financial key performance indicators is provided in the “Financial Highlights” on page 5.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the “Dividend Policy”), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Report of the Directors

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year Under Review, there was no material and significant dispute between our Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK\$, US\$ and RMB.

Report of the Directors

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2025, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the Year Under Review and up to the date of this report, at least 25% of the issued shares of the Company was held by public shareholders.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 22 to the Financial Statements.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 48 of the "Consolidated Statement of Changes in Equity", Notes 24 and 37 to the Financial Statements, respectively.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution at 31 December 2025, calculated in accordance with PRC rules and regulation, was retained earnings of approximately RMB68,519,000 (31 December 2024: RMB68,643,000).

FINANCIAL SUMMARY

A Summary of the results, the assets and liabilities of the Group for the last five financial years is set out on page 122.

CHARITY DONATIONS

During the Year Under Review, the Group made charity donations of approximately RMB45,000 (2024: approximately RMB51,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2025 are set out in Note 14 to the Financial Statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUBSIDIARY COMPANIES

Details of the major subsidiary companies of the Company as at 31 December 2025 are set out in Note 35 to the Financial Statements.

DIRECTORS

The Directors of the Company during the year ended 31 December 2025 and up to the date of this report have been:

Executive Directors

Mr. Zhang Youlian (*Chairman*)

Mr. Fan Fang

Mr. She Wenjie

Non-executive Director

Ms. Zhang Jinhua

Independent Non-executive Directors

Mr. Zhang Lei

Mr. Tang Jingyan

Mr. Chen Jianping

Supervisors

Mr. Xu Qinsi

Mr. Zhang Donglian

Ms. Li Lijiao

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors and senior management of the Company are set out on pages 19 to 22 under the section headed "Directors' and Senior Management's Biographies" in this report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 18.39B of the GEM Listing Rules from each of the Independent Non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2025.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

Report of the Directors

The Board determines the remuneration of the Directors on the basis of the Company's performance, together with the relevant Directors' qualifications, responsibilities, experience, contributions to and positions held with the Company. Details of the remuneration of the Directors are set out in Note 36 to the Financial Statements.

The five highest paid individuals of the Group in the Year Under Review include 2 Directors (2024: 3 Directors). Details of the five highest paid individuals are set out in Note 10(a) to the Financial Statements.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors has entered into a service agreement with the Company for a term of three years. No Director and supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT

None of the Directors, the supervisors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year Under Review.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2025, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director/supervisor	Nature of interest	Number of shares in the Company held	Approximate percentage of Issued Share Capital
Mr. Zhang Youlian	Beneficial owner	19,220,600	50.05%
Ms. Zhang Jinhua	Beneficial owner	398,400	1.04%
Mr. Xu Qinsi ⁽ⁱ⁾	Interest of spouse	100,000	0.26%

(i) Mr. Xu Qinsi, the supervisor of the Company, is deemed (by virtue of the SFO) to be interested in 100,000 domestic shares in the Company held by his spouse. Ms. Ling Weixing.

Save as disclosed above, as at 31 December 2025, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Report of the Directors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Year Under Review, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the directors or supervisors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of interest	Number of shares in the Company held	Interest in Underlying Shares	Total number of shares in the Company held	Approximate percentage of Issued Share Capital
Ms. Yu Hua	Beneficial owner	3,576,000	–	3,576,000	9.31%

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2025.

MANAGEMENT CONTRACTS

There was no contracts concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Year Under Review.

NON-COMPETITION UNDERTAKING

As disclosed in the Company's prospectus dated 31 December 2014, Mr. Zhang Youlian (the "Controlling Shareholder"), has executed a deed of non-competition through which he has undertaken and procure that none of his associates will (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with the Group's existing business activity or any principal business activity of any member of the Group or be in competition with the Group in any business activities which the Group may undertake in the future (the "Restricted Business"); or (b) take any direct or indirect action which constitutes an interference with or a disruption to the Group's business activities including, but not limited to, solicitation of the Group's customers, suppliers or staff. He has warranted that neither he nor any of his associates is currently engaging in and has not had any interest in any business that directly or indirectly competes or may compete with the Group's business. The Controlling Shareholder also undertakes and covenants to the Group that, if any new business opportunity relating to any Restricted Business is made available to him, he will direct the Restricted Business to the Group with such required information to enable the Group to evaluate the merits of the Restricted Business.

The Controlling Shareholder has confirmed in writing to the Company of his compliance with the deed of non-competition for disclosure in this report during the Year Under Review.

Report of the Directors

CONNECTED TRANSACTION

During the Year Under Review, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

None of the Directors or supervisors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

PLEDGE OF ASSETS

As at 31 December 2025, the Group had pledged certain land use rights, property, plant and equipment and financial assets at FVOCI with aggregate carrying amount of approximately RMB16,357,000 (31 December 2024: approximately RMB15,463,000).

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the Year Under Review, the weighted average effective annual interest rate of bank borrowings was 3.47%; and the weighted average effective annual interest rate of other borrowings was 3.50%. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB38,056,000 (31 December 2024: approximately RMB16,331,000) which was mainly generated from operations of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, the total turnover of the Group's five largest customers accounted for approximately 24.9% of the Group's revenue, in which turnover from the largest customer of the Group accounted for approximately 7.9% of the total revenue of the Group. During the same period, total purchases of the Group's five largest suppliers accounted for approximately 46.2% of the Group's total cost of sales, in which purchase from the largest supplier of the Group accounted for approximately 21.0% of the total cost of sales of the Group.

None of the Directors, their respective associates or any Shareholders (interested in 5% or more of the share capital to the best knowledge of the Board) has any interest in any of the five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

Report of the Directors

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2025 are set out in Notes 10 and Note 38.15 to the Financial Statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

PERMITTED INDEMNITY PROVISION

At no time during the Year Under Review and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

COMPANY SECRETARY

Mr. Chan Hon Wan is our Company Secretary. Please refer to Mr. Chan's biographies in the section headed "Directors' and Senior Management's Biographies" for details.

COMPLIANCE OFFICER

Mr. Fan Fang, who is also an Executive Director, is our compliance officer. Please refer to Mr. Fan's biographies in the section headed "Directors' and Senior Management's Biographies" for details.

EVENTS AFTER THE REPORTING PERIOD

There is no material events after the reporting period as at the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2025 have been audited by PricewaterhouseCoopers, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Zhejiang Chang'an Renheng Technology Co., Ltd.
Mr. Zhang Youlian
Chairman of the Board

Zhejiang, PRC, 31 March, 2026

Supervisory Committee Report

The Supervisory Committee is pleased to present this report of the Supervisory Board in the annual report of the Company for the year ended 31 December 2025.

In 2025, all members of the Supervisory Committee have earnestly performed their supervisory functions to safeguard the rights and interests of the Group and the Shareholders in accordance with the Company Law of the PRC, the Articles of Association, the Terms of Reference of the Supervisory Committee and the relevant provisions in the GEM Listing Rules. Members of the Supervisory Committee carried out examination of the Company's financial accounts and supervision of the Directors, and other senior management officers for their compliance with the laws, administrative regulations and the Articles of Association in executing their respective duties.

MEETING OF THE SUPERVISORY COMMITTEE

For the year ended 31 December 2025, a meeting of the Supervisory Committee was held on 31 March 2025 to consider the 2024 audited financial report of the Company and the report of Supervisory Committee for 2024 and to receive the report on the 2024 results announcement of the Company.

INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the view that during the Year Under Review, the operation of the Company has been consistent with the provisions of the Company Law of the PRC, the PRC Securities Law and the Articles of Association; that the decision-making process of the Company has been in compliance with the laws, and the Company has established a relatively comprehensible internal control system; and that the Directors and senior management have not violated any law, regulation or the Articles of Association, nor have they acted in a way which is prejudicial to the interests of the Company.

INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE COMPANY

The Supervisory Committee agreed with the audit opinion issued on 31 March 2026 on the 2025 annual financial report of the Company, and that the financial report of the Company has given a true and fair view of the financial position and the operating results of the Company.

INDEPENDENT OPINION ON THE IMPLEMENTATION OF THE RESOLUTIONS OF GENERAL MEETINGS

The Supervisory Committee considered that the Board earnestly implemented the resolutions approved by the general meetings.

In 2026, the Supervisory Committee will continue to carry out its fiduciary duties to implement effective supervision on the Company, its Directors and senior management in accordance with the relevant provisions of the Company Law of the PRC, the Articles of Association and the GEM Listing Rules; and pay close attention to the operation and management status of the Company as well as any significant development of the Company, so as to facilitate the profit growth of the Company and to dutifully protect the interest of all Shareholders of the Company.

On Behalf of the Supervisory Committee
Mr. Xu Qinsi

Zhejiang, PRC, 31 March 2026

Independent Auditor's Report



To the Shareholders of Zhejiang Chang'an Renheng Technology Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Zhejiang Chang'an Renheng Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 45 to 121, comprise:

- the consolidated balance sheet as at 31 December 2025;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, 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 IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Hong Kong Institute of Certified Public 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.

.....
: PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
: Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB76,352 for the year ended 31 December 2025 and, as of that date, the Group's current liabilities exceeded its current assets by RMB17,565,505. As of 31 December 2025, the Group had short-term bank borrowings of RMB188,408,750 due for repayment within one year, and cash balance of RMB38,056,286. As stated in note 2.1.1, these events or conditions, along with other matters as set forth in note 2.1.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

The key audit matter identified in our audit is related to revenue recognition – sales of goods.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition – sales of goods

Refer to note 6 to the consolidated financial statements.

Revenue recognition has significant and wide influence on financial statements. Revenue is recognised when the amounts and the related costs are reliably measured, and the control of the underlying products have been transferred to the customers.

Revenue from the sale of goods is primarily recognised when control of the products has transferred, which is that the Group has delivered products to the designated place and the customers have confirmed the acceptance of the products.

We focused on this area due to that the sales of the Group are derived from a large number of customers which locate across the country with relatively small transaction amounts. As a result, to obtain sufficient audit evidence, magnitude audit work and resources are required.

We understood, evaluated and validated the key controls related to Group's sales process from end to end, from contracts approval and sign-off, customer order's approval, recording of sales, all the way through to reconciliations with cash receipts and customers' records.

We inspected contracts with customers, on a sample basis, to understand the terms of the sale transactions, including the terms of delivery and goods acceptance and any sales return arrangements, to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards.

We conducted substantive testing of revenue recorded covering different products, locations and customers, using sampling techniques, by examining the relevant supporting documents including goods delivery notes, customer receipt notes and invoices. In addition, we confirmed certain customers' receivable balances at the balance sheet date and their transaction amounts during the period, selected on a sample basis by considering the amount, nature and characteristics of those customers.

Furthermore, we tested the sales transactions recognised shortly before and after the balance sheet date, including the credit notes issued after that date, whether sales transactions were recorded in the correct reporting periods.

Based on our audit work performed, we found the Group's revenue recognition in relation to sales of goods was supported by the evidence that we gathered.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 DIRECTORS AND THE AUDIT COMMITTEE 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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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 either intend to liquidate the Group or to cease operations, or have 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability 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 ISAs 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.

Independent Auditor's Report

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.
- Conclude on the appropriateness of the 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 units 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 purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Leung Ying Hei.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2026

Consolidated Statement of Comprehensive (Loss)/Income

for the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB	2024 RMB
Revenue	6	207,438,775	194,863,577
Cost of sales	9	(128,697,724)	(114,765,162)
Gross profit		78,741,051	80,098,415
Selling expenses	9	(38,322,664)	(34,469,490)
Administrative expenses	9	(27,344,985)	(23,168,438)
Research and development expenses	9	(13,739,744)	(15,542,097)
Reversal of/(provision for) impairment on financial assets	9	1,482,148	(30,034)
Other income	7	1,503,077	2,310,666
Other gains/(loss) – net	8	5,643,859	(1,263,775)
Operating profit		7,962,742	7,935,247
Finance income	11	33,801	109,858
Finance costs	11	(7,524,306)	(6,616,542)
Finance costs – net	11	(7,490,505)	(6,506,684)
Profit before income tax		472,237	1,428,563
Income tax expense	12	(548,589)	(158,625)
(Loss)/profit for the year attributable to the equity holders of the Company		(76,352)	1,269,938
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		13,780	(5,355)
Total comprehensive (loss)/income for the year attributable to the equity holders of the Company		(62,572)	1,264,583
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	13	(0.00)	0.03

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB	2024 RMB
ASSETS			
Non-current assets			
Property, plant and equipment	14	97,868,373	106,342,049
Right-of-use assets	15(a)	6,362,513	6,926,943
Leasehold improvements and other non-current assets	16	43,541,836	30,481,050
Deferred income tax assets	29	2,782,144	3,205,870
		150,554,866	146,955,912
Current assets			
Inventories	20	71,884,352	72,915,022
Trade and other receivables, prepayments and other current assets	17	89,302,429	84,016,939
Financial assets at fair value through other comprehensive income (FVOCI)	18	10,372,236	7,979,375
Financial assets at fair value through profit or loss (FVPL)	19	51,307	7,781,394
Restricted cash	21	28,725	2,002,696
Cash and cash equivalents	21	38,056,286	16,330,972
		209,695,335	191,026,398
Total assets		360,250,201	337,982,310
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital	22	38,400,000	38,400,000
Other reserves	24	50,355,830	50,342,050
Retained earnings	23	29,875,868	29,952,220
Total equity		118,631,698	118,694,270

Consolidated Balance Sheet

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB	2024 RMB
LIABILITIES			
Non-current liabilities			
Deferred government grants	25	1,601,388	1,882,358
Provisions for environmental rehabilitation	26	3,169,585	3,169,585
Borrowings	28	8,465,300	14,766,000
Lease liabilities	15(b)	1,121,390	1,456,180
		14,357,663	21,274,123
Current liabilities			
Deferred government grants	25	280,970	280,970
Trade and other payables	27	38,238,420	39,221,460
Borrowings	28	188,408,750	158,191,669
Lease liabilities	15(b)	332,700	319,818
		227,260,840	198,013,917
Total liabilities		241,618,503	219,288,040
Total equity and liabilities		360,250,201	337,982,310

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 45 to 121 were approved by the Board of Directors on 31 March 2026 and were signed on its behalf.

Zhang Youlian

Fan Fang

Consolidated Statement of Changes in Equity

for the year ended 31 December 2025

	Note	Attributable to equity holders of the Company			Total RMB
		Share capital RMB	Other reserves RMB	Retained earnings RMB	
As at 1 January 2024		38,400,000	50,347,405	28,682,282	117,429,687
Comprehensive income/(loss)					
Profit for the year		-	-	1,269,938	1,269,938
Exchange differences on translation of foreign operations		-	(5,355)	-	(5,355)
Transactions with owners:					
Appropriation of safety fund	24	-	410,280	(410,280)	-
Utilisation of safety fund	24	-	(410,280)	410,280	-
As at 31 December 2024		38,400,000	50,342,050	29,952,220	118,694,270
As at 1 January 2025		38,400,000	50,342,050	29,952,220	118,694,270
Comprehensive (loss)/income					
Loss for the year		-	-	(76,352)	(76,352)
Exchange differences on translation of foreign operations		-	13,780	-	13,780
Transactions with owners:					
Appropriation of safety fund	24	-	67,800	(67,800)	-
Utilisation of safety fund	24	-	(67,800)	67,800	-
As at 31 December 2025		38,400,000	50,355,830	29,875,868	118,631,698

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

for the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB	2024 RMB
Cash flows from operating activities			
Cash generated from operations	30(a)	15,819,621	7,986,680
Income tax paid		(158,220)	(139,348)
Net cash generated from operating activities		15,661,401	7,847,332
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		141,891	3,477
Proceeds from disposal of financial assets at FVPL	19(b)	38,074,034	4,379,846
Repayment from loan to an employee	17(b)	1,964,643	-
Interest income received from time deposits		-	21,244
Proceeds from maturity of time deposits		-	2,700,000
Loan to an employee	17(b)	(510,000)	(1,395,000)
Purchases of property, plant and equipment		(11,845,479)	(16,214,040)
Purchases of leasehold land improvements and other non-current assets		(13,083,496)	(17,444,595)
Purchase of financial assets at FVPL	19(b)	(24,872,055)	(13,232,433)
Net cash used in investing activities		(10,130,462)	(41,181,501)
Cash flows from financing activities			
Proceeds from borrowings		216,599,300	189,591,669
Repayment of borrowings		(192,558,711)	(148,035,200)
Payments of interest expenses		(7,433,421)	(6,680,828)
Principal elements of lease payments		(378,704)	(192,376)
Net cash generated from financing activities		16,228,464	34,683,265
Net increase in cash and cash equivalents		21,759,403	1,349,096
Cash and cash equivalents at the beginning of the year		16,330,972	14,888,159
Exchange difference on cash and cash equivalents		(34,089)	93,717
Cash and cash equivalents at the end of the year	21	38,056,286	16,330,972

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the "Company") and its subsidiaries (together, the "Group") are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture papermaking bentonite chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of ChangXingRenheng Refined Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in the People's Republic of China (the "PRC") on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the "Controlling Shareholder").

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 31 March 2026.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative liability at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

The Group incurred a net loss of RMB76,352 for the year ended 31 December 2025 and, as of that date, its current liabilities exceeded its current assets by RMB17,565,505. As of 31 December 2025, the Group had short-term bank borrowings of RMB188,408,750 due for repayment within one year, and cash balance of RMB38,056,286 .

The above circumstances may cast significant doubt on the Group's capability of continuing as a going concern. In preparation of the consolidated financial statements, the Board of Directors have given careful consideration of the following management plans and measures to properly manage and improve the liquidity of the Group:

- The Group will continue to generate cash inflows from its operations by increasing sales volume while maintaining gross profit margin and working capital turnover;
- The Group will make efforts to renew its borrowings and its bank credit quota under which new borrowings will be made by the Group when the short-term bank borrowings fall due; and
- The Group's controlling shareholder, Mr. Zhang Youlian (Mr. Zhang), will continue to provide financial support to the Group so as to enable the Group to meet its anticipated working capital requirements and other payment obligations in the next 12 months from 31 December 2025, pursuant to a financial support letter issued by Mr. Zhang dated 27 March 2026.

The directors have reviewed cash flow projections prepared by management covering at least twelve months from 31 December 2025 and concluded that the Group will have sufficient funds to finance its operations and to meet financial obligations as and when they fall due within twelve months from 31 December 2025. Accordingly, the accompanying financial statements are prepared on a going concern basis.

Notwithstanding the plans and measures taken by management, material uncertainty exists as to whether the Group can achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon:

- The Group will be able to generate cash inflows from its operations by increasing sales volume while maintaining gross profit margin and working capital turnover;
- The Group will be able to renew its borrowings or bank credit quota and make new borrowings when its short-term borrowings fall due; and/or
- The Group will be able to obtain timely and sufficient financial support from Mr. Zhang, its controlling shareholder, when needed.

Should the Group be unable to achieve management's plans and measures and operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2025:

	Amended standards	Effective date
Amendments to IAS 21	Lack of exchangeability	1 January 2025

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for the year ended 31 December 2025 and have not been early adopted by the Group. Except for IFRS 18 which will mainly impact the presentation of statement of profit and loss, these amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	New/amended standards	Effective date
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendment to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Volume 11	Annual Improvements to IFRS Accounting Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability	1 January 2027
Amendment to IAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	Disclosures about Uncertainties in the Financial Statements	Not applicable

The Group has already commenced an assessment of the impact of these new or amended standards, interpretations, and amended improvements, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's risk management is predominantly controlled by a central finance department under policies approved by the Board of directors. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in Chinese mainland and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to U.S. dollars ("USD"). The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the years ended 31 December 2025 and 2024, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2025, if the RMB had strengthened/weakened by 5% against the USD while all other variables had been held constant, the Group's net loss for the year would have been approximately RMB248,606 higher/lower (2024: RMB225,628 lower/higher of the Group's net profit) respectively for various financial assets and liabilities denominated in USD.

For group company outside the PRC whose functional currency is USD, management considered the foreign exchange risk of the subsidiary is minimal because most transactions were denominated and settled in USD.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2025, no borrowing (2024: nil) was charged at variable rates while the Group's borrowings of RMB196,874,050 (2024: RMB172,957,669) were charged at fixed rates, respectively. The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

The Group has not hedged its respective cash flow and fair value interest rate risks. The interest rates, terms of repayments and fair value of borrowings are disclosed in Note 28.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at FVPL held by the Group which are carried at fair value with changes in the fair value recognised in profit or loss.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Each investment is managed by senior management on a case by case basis. The impact of variable price of the Group's investments please refer to Note 3.3.

(b) Credit risk

Credit risk is managed on a group basis. The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, financial assets at FVOCI and financial assets at FVPL included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	Year ended 31 December	
	2025	2024
	<i>RMB</i>	<i>RMB</i>
Financial assets at amortised cost		
– Cash and cash equivalents	38,056,286	16,330,972
– Restricted cash	28,725	2,002,696
– Trade and other receivables	82,014,272	74,320,485
	120,099,283	92,654,153
Financial assets at FVOCI	10,372,236	7,979,375
Financial assets at FVPL	51,307	7,781,394
	130,522,826	108,414,922

The amounts of the credit risk exposures set out above are the carrying amounts as at 31 December 2025 and 2024. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management

The Group expects that there is no significant credit risk associated with cash at bank and restricted cash since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group's financial assets at FVPL and FVOCI are considered to be low risk investments with no significant credit risk associated.

In addition, the Group has policies to monitor the credit exposure of trade and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(ii) Impairment of financial assets

i. Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates of trade receivables are based on the payment profiles of sales over a period of 60 months before 31 December 2025 and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and Producer Price Index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

i. Trade receivables (Continued)

On that basis, the loss allowance as at 31 December 2025 and 2024 was determined as follows for trade receivables:

	Within 180 days	More than 180 days to one year	More than one year to two years	More than two years to three years	More than three years	Total
31 December 2025						
Expected loss rate	1%	2%	11%	52%	100%	
Gross carrying amount						
- trade receivables (RMB)	65,886,950	14,607,046	1,408,185	361,065	3,505,247	85,768,493
Loss allowance						
- trade receivables (RMB)	870,721	317,612	161,499	189,437	3,505,247	5,044,516
31 December 2024						
Expected loss rate	2%	3%	20%	70%	100%	
Gross carrying amount						
- trade receivables (RMB)	54,627,569	12,961,088	6,699,565	262,213	3,317,986	77,868,421
Loss allowance						
- trade receivables (RMB)	1,032,712	402,378	1,326,031	183,080	3,317,986	6,262,187

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

i. Trade receivables (Continued)

The loss allowances for trade receivables as at 31 December 2025 and 2024 reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2025	2024
	RMB	RMB
Opening loss allowance as at 1 January	6,262,187	6,445,799
Reversal of impairment (Note 9)	(1,217,671)	(68,018)
Write off	–	(115,594)
Closing loss allowance at 31 December	5,044,516	6,262,187

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than three years past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

ii. Other receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of other receivables and adjusts for forward looking macroeconomic data.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

ii. Other receivables (Continued)

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of other receivables and adjusts for forward looking macroeconomic data.

31 December 2025	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	2.88%	–	–	2.88%
Gross carrying amount (RMB)	1,328,567	–	–	1,328,567
Loss allowance provision (RMB)	38,272	–	–	38,272
31 December 2024	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	6.95%	–	–	6.95%
Gross carrying amount (RMB)	2,917,000	–	–	2,917,000
Loss allowance provision (RMB)	202,749	–	–	202,749

The loss allowances for other receivables as at 31 December 2025 and 2024 reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2025 RMB	2024 RMB
Opening loss allowance as at 1 January	202,749	104,697
(Reversal of)/provision for impairment (Note 9)	(164,477)	98,052
Closing loss allowance at 31 December	38,272	202,749

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

iii. Financial assets at FVOCI

The Group applies the simplified approach to provide ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all financial assets at FVOCI.

The loss allowances for FVOCI as at 31 December 2025 and 2024 reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2025	2024
	RMB	RMB
Opening loss allowance as at 1 January	100,000	100,000
Reversal of impairment	(100,000)	–
Closing loss allowance at 31 December	–	100,000

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising of undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 6 months RMB	Between 6 months and 1 year RMB	Between 1 and 2 years RMB	Between 2 and 3 years RMB	Above 3 years RMB	Total RMB
As at 31 December 2025						
Borrowings, including interest payables	89,091,027	101,877,329	8,669,525	-	-	199,637,881
Lease liabilities (including interest)	188,908	189,608	386,911	395,307	399,660	1,560,394
Trade and other payables, excluding staff salaries and welfare payables and accrued taxes other than income tax	28,685,626	-	-	-	-	28,685,626
	117,965,561	102,066,937	9,056,436	395,307	399,660	229,883,901
As at 31 December 2024						
Borrowings, including interest payables	101,340,322	60,768,287	15,453,514	-	-	177,562,123
Lease liabilities (including interest)	188,904	189,619	387,110	395,697	782,093	1,943,423
Trade and other payables, excluding staff salaries and welfare payables and accrued taxes other than income tax	30,606,983	-	-	-	-	30,606,983
	132,136,209	60,957,906	15,840,624	395,697	782,093	210,112,529

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debts.

The gearing ratios as at 31 December 2025 and 2024, respectively, are as follows:

	As at 31 December	
	2025	2024
	<i>RMB</i>	<i>RMB</i>
Total borrowings (Note 28)	196,874,050	172,957,669
Add: lease liabilities (Note 15(b))	1,454,090	1,775,998
Less: Cash and cash equivalents (Note 21)	(38,056,286)	(16,330,972)
Restricted cash (Note 21)	(28,725)	(2,002,696)
Net debts	160,243,129	156,399,999
Total equity	118,631,698	118,694,270
Total capital	278,874,827	275,094,269
Gearing ratio	57%	57%

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

Financial assets not measured at fair value included cash and cash equivalents, restricted cash and trade and other receivables and financial liabilities included borrowings and trade and other payables (except for advance from customers, staff salaries and welfare payables and accrued taxes other than income tax). The carrying amount of these financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

An explanation of each level follows underneath the table.

	As at 31 December 2025			Total RMB
	Level 1 RMB	Level 2 RMB	Level 3 RMB	
Financial assets at FVOCI				
– Notes receivable	–	–	10,372,236	10,372,236
Financial assets at FVPL				
– Wealth management products	–	–	51,307	51,307
	–	–	10,423,543	10,423,543

	As at 31 December 2024			Total RMB
	Level 1 RMB	Level 2 RMB	Level 3 RMB	
Financial assets at FVOCI				
– Notes receivable	–	–	7,979,375	7,979,375
Financial assets at FVPL				
– Wealth management products	–	–	50,637	50,637
– Investments in listed equity securities (Note 19(a))	7,730,757	–	–	7,730,757
	7,730,757	–	8,030,012	15,760,769

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs for the years ended 31 December 2025 and 2024 (level 3):

	Notes receivable RMB	Wealth management products RMB	Total RMB
As at 1 January 2025	7,979,375	50,637	8,030,012
Additions	123,565,557	–	123,565,557
Disposals	(121,172,696)	–	(121,172,696)
Changes in fair value recognised in the consolidated statements of comprehensive (loss)/income (Note 8)	–	670	670
As at 31 December 2025	10,372,236	51,307	10,423,543
	Notes receivable RMB	Wealth management products RMB	Total RMB
As at 1 January 2024	5,064,216	–	5,064,216
Additions	98,874,990	50,000	98,924,990
Disposals	(95,959,831)	–	(95,959,831)
Changes in fair value recognised in the consolidated statements of comprehensive (loss)/income (Note 8)	–	637	637
As at 31 December 2024	7,979,375	50,637	8,030,012

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value of notes receivable (Note 18) is considered approximate to their carrying amount. The fair value change was insignificant.

Financial instruments	Fair value hierarchy	Valuation Techniques and key Inputs	Significant Unobservable Inputs	Range of Inputs	Relationship of Unobservable Inputs to fair value
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Financial Assets at FVOCI

- Notes receivable	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Discounted rates that correspond to the expected risk level	1.00%-1.40% (2024: 1.71%-2.10%)	If the discounted rates that correspond to the expected risk level had increased/decreased by 10% with all other variables held constant, the fair value for the year ended 31 December 2025 would have decreased by approximately RMB3,567 or increased by approximately RMB3,571 (2024: decreased by approximately RMB5,003 or increased by approximately RMB4,463).
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Financial Assets at FVPL

- Wealth management products	Level 3	Use of exercisable quoted price by the issuer or the discounted cash flow	Expected return rate per annum	1.34% (2024:1.27%)	If the expected return rate per annum had increased/decreased by 10% with all other variables held constant, the fair value for the year ended 31 December 2025 would have increased/decreased by approximately RMB67 (2024: RMB64).
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Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Accounting estimates

(a) Provision for credit losses

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(b) Recoverability of deferred income taxes

A deferred tax asset is recognized for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilized. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgement in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred tax assets.

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including property, plant and equipment, right-of-use assets and leasehold improvements and other non-current assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets, observable market prices, or transaction prices of similar assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, or other valuation techniques, as appropriate, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

5 SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products, and most of the Group's operations are carried out in China. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

6 REVENUE

	Year ended 31 December	
	2025	2024
	RMB	RMB
– Recognised at a point in time		
Organic bentonite	117,209,046	110,744,455
Papermaking chemicals series	35,818,325	34,776,758
Inorganic gel	28,848,037	28,159,855
Dry strength agent	12,433,034	12,888,074
Putty powder	6,849,221	2,598,201
Quality calcium-bentonite	3,068,921	2,347,323
Other chemicals (i)	3,212,191	3,348,911
	207,438,775	194,863,577

For the years ended 31 December 2025 and 2024, no single external customers contributed 10% or above of the Group's revenue.

(i) Other chemicals mainly comprise flocculating agent, which are principally applied in the sewage purification.

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value-added tax.

Sales of goods

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the designated place, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been transferred to the designated place, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to the Consolidated Financial Statements

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7 OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB	RMB
Government grants		
– Relating to assets (<i>Note 25</i>)	280,970	280,970
– Relating to costs (i)	292,676	455,534
– Additional deduction of value-added tax	929,431	1,574,162
	1,503,077	2,310,666

- (i) The government grants relating to costs were certain cost-related unconditional subsidies which were granted to award the Group's effort on environmental production, product development, contribution of tax payment and innovation.

8 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2025	2024
	RMB	RMB
Gains/(losses) on disposal of financial assets at FVPL (<i>Note 19(b)</i>)	5,471,222	(30,376)
Fair value gains/(losses) of financial assets at FVPL (<i>Note 19(b)</i>)	670	(1,040,817)
Donations	(45,000)	(51,200)
Net losses on disposal of property, plant and equipment	(45,248)	(4,417)
Net foreign exchange losses	(142,828)	(87,293)
Others	405,043	(49,672)
	5,643,859	(1,263,775)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

9 EXPENSES BY NATURE

	Year ended 31 December	
	2025	2024
	RMB	RMB
Changes in finished goods (Note 20)	(543,281)	(6,967,518)
Raw materials and consumables used	90,040,132	90,099,617
Employee benefit expenses (Note 10)	36,628,835	35,703,993
Utilities	21,536,754	17,477,820
Transportation expenses	20,433,161	18,375,652
Depreciation (Note 14)	9,800,158	7,703,866
Amortisation of leasehold improvements and other non-current asset (Note 16)	6,208,730	4,831,072
Marketing and promotion expenses	5,069,897	4,186,521
Travelling and communication expenses	4,352,782	4,354,712
Entertainment and hospitality expenses	3,798,601	3,604,847
Taxes and levies	2,870,724	2,244,267
Maintenance expenses	2,247,695	1,593,946
Professional service fees	1,556,325	1,013,361
Auditor' remuneration		
– Audit services	1,150,000	1,200,000
Depreciation of right-of-use assets (Note 15)	564,430	500,645
Expense relating to short-term leases (Note 15(b))	468,416	552,975
(Reversal of)/provision for impairment on financial assets (Note 3.1(b))	(1,482,148)	30,034
Miscellaneous	1,921,758	1,469,411
Total cost of sales, selling expenses, administrative expenses, research and development expenses and (reversal of)/provision for impairment on financial assets	206,622,969	187,975,221

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2025	2024
	RMB	RMB
Salaries, wages and bonuses	32,486,526	31,281,107
Housing fund, welfare, medical and other benefits	2,054,926	2,423,225
Contributions to pension plans	2,087,383	1,999,661
	36,628,835	35,703,993

Notes to the Consolidated Financial Statements

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10 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2024: three) directors and senior managements whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining three (2024: two) individuals during the year ended 31 December 2025 and 2024 are as follows:

	Year ended 31 December	
	2025	2024
	RMB	RMB
Salaries, wages and bonuses	2,417,955	1,299,400
Housing fund, welfare, medical and other benefits	142,264	141,062
Contributions to pension plans	148,799	146,871
	2,709,018	1,587,333

The emoluments fell within the following bands:

	Year ended 31 December	
	2025	2024
Emoluments bands (in RMB)		
RMB500,001-RMB1,000,000	2	2
RMB1,000,001-RMB1,500,000	1	-
	3	2

Notes to the Consolidated Financial Statements

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11 FINANCE COSTS – NET

	Year ended 31 December	
	2025	2024
	RMB	RMB
Finance income		
– Interest income derived from bank deposits	33,801	109,858
Finance costs		
– Interest expenses on borrowings	(7,433,421)	(6,680,827)
– Interest expenses on lease liabilities (Note 15)	(56,796)	(29,432)
– Foreign exchange (losses)/gains on borrowings and cash and cash equivalents – net	(34,089)	93,717
	(7,524,306)	(6,616,542)
Finance costs – net	(7,490,505)	(6,506,684)

12 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense and shows how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense

	Year ended 31 December	
	2025	2024
	RMB	RMB
Current income tax expense	(124,863)	(284,743)
Deferred income tax (expense)/credit (Note 29)	(423,726)	126,118
	(548,589)	(158,625)

Notes to the Consolidated Financial Statements

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12 INCOME TAX EXPENSE (Continued)

(a) Income tax expense (Continued)

PRC corporate income tax

The Group's subsidiaries established and operated in Mainland China are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("EIT Law"). Pursuant to the EIT Law, the Group's subsidiaries established in Mainland China are generally subject to EIT at the statutory rate of 25%.

The Company renewed the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 8 December 2023 to 7 December 2026.

The subsidiary Yangyuan Renheng Fine Clay Co., Ltd. ("Renheng Refined Clay") obtained the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Hebei province, which granted tax preferential rate of 15% for three years from 11 November 2024 to 10 November 2027.

The subsidiary Zhejiang Chang'an Renheng Chemical Co., Ltd. ("Renheng Chemicals") are subject to "small and thin profit enterprises" under the CIT Law, and accordingly, a preferential income tax rate of 20% for the years ended 31 December 2025 (2024: 20%). As a result, such PRC subsidiary were eligible for a preferential enterprise income tax rate for its respective tax holiday.

Other countries

Corporate income tax in other jurisdictions mainly represented the income tax on profit arising from the United States, which had been calculated on the estimated assessable profit for the year at the rate of 21% (2024: 21%) prevailing in the relevant jurisdictions.

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12 INCOME TAX EXPENSE (Continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

The difference between the actual income tax charge in the consolidated statement of comprehensive (loss)/income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2025 RMB	2024 RMB
Profit before tax	472,237	1,428,563
Tax calculated at applicable corporate income tax rate	(118,059)	(357,141)
Different tax jurisdiction	(101,314)	(41,014)
Expenses not deductible for tax purposes and income tax settlement adjustment	(750,006)	(448,512)
Additional deduction for research and development expenses (i)	2,004,343	2,221,792
Unused tax losses for which no deferred tax asset has been recognized (ii)	(2,192,252)	(2,038,015)
Preferential income tax benefits	608,699	504,265
Income tax expense	(548,589)	(158,625)

- (i) Pursuant to the Corporate Income Tax Law, the Company can enjoy an additional tax deduction calculated at 100% of the actual research and development expenses recognised under PRC GAAP. The tax deduction can be charged to the profit or loss after obtaining approval from tax authorities.

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12 INCOME TAX EXPENSE (Continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable (Continued)

(ii) Tax losses

	Year ended 31 December	
	2025	2024
	RMB	RMB
Unused tax losses for which no deferred tax asset has been recognized will be expired		
2025	-	2,002,270
2026	4,226,249	4,226,249
2027	3,489,780	3,489,780
2028	3,391,936	3,391,936
2029	3,307,786	5,060,544
2030	3,103,182	-
After 2030	14,308,718	6,920,220
	31,827,651	25,090,999

As at 31 December 2025, the Group had unused tax losses of approximately RMB31,827,651 (31 December 2024: RMB25,090,999) that can be carried forward against future taxable income. Deferred income tax asset has not been recognized in respect of such tax losses due to the unpredictability of future taxable income.

The Group principally conducted its business in the PRC, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expirations of unused tax losses of the High and New Tech Enterprises issued in August 2018, the accumulated tax losses of the Company and Renheng Refined Clay will expire within 10 years.

Notes to the Consolidated Financial Statements

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13 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (losses)/earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2025 and 2024.

	Year ended 31 December	
	2025	2024
	RMB	RMB
(Loss)/profit attributable to the equity holders of the Company	(76,352)	1,269,938
Weighted average number of ordinary shares in issue	38,400,000	38,400,000
Basic (losses)/earnings per share (RMB per share)	(0.00)	0.03

(b) Diluted

The fully diluted earnings per share for the years ended 31 December 2025 and 2024 are the same as the basic earnings per share as there were no dilutive potential ordinary share.

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14 PROPERTY, PLANT AND EQUIPMENT

	Buildings, fixtures and facilities <i>RMB</i>	Machinery and equipment <i>RMB</i>	Vehicles <i>RMB</i>	Electronic and office equipment <i>RMB</i>	Construction in progress <i>RMB</i>	Total <i>RMB</i>
At 1 January 2024						
Cost	65,039,515	72,696,232	6,653,367	2,660,987	22,227,665	169,277,766
Accumulated depreciation	(28,340,675)	(42,911,315)	(4,783,666)	(2,370,911)	-	(78,406,567)
Net book amount	36,698,840	29,784,917	1,869,701	290,076	22,227,665	90,871,199
Year ended 31 December 2024						
Opening net book amount	36,698,840	29,784,917	1,869,701	290,076	22,227,665	90,871,199
Transfers (Note 16)	2,305,863	3,223,093	-	-	(12,427,398)	(6,898,442)
Additions	-	8,726,308	640,101	128,660	20,585,983	30,081,052
Disposals	-	-	(7,894)	-	-	(7,894)
Depreciation (Note 9)	(2,909,333)	(4,367,394)	(330,575)	(96,564)	-	(7,703,866)
Closing net book amount	36,095,370	37,366,924	2,171,333	322,172	30,386,250	106,342,049
At 31 December 2024						
Cost	67,345,378	84,645,633	7,166,368	2,789,647	30,386,250	192,333,276
Accumulated depreciation	(31,250,008)	(47,278,709)	(4,995,035)	(2,467,475)	-	(85,991,227)
Net book amount	36,095,370	37,366,924	2,171,333	322,172	30,386,250	106,342,049
Year ended 31 December 2025						
Opening net book amount	36,095,370	37,366,924	2,171,333	322,172	30,386,250	106,342,049
Transfers (Note 16)	8,072,726	11,834,821	-	-	(29,095,297)	(9,187,750)
Additions	-	4,147,539	463,607	2,391	6,087,834	10,701,371
Disposals	-	(80,731)	(82,849)	(23,559)	-	(187,139)
Depreciation (Note 9)	(2,808,930)	(6,419,441)	(436,426)	(135,361)	-	(9,800,158)
Closing net book amount	41,359,166	46,849,112	2,115,665	165,643	7,378,787	97,868,373
At 31 December 2025						
Cost	71,882,028	99,637,164	7,044,408	2,308,693	7,378,787	188,251,080
Accumulated depreciation	(30,522,862)	(52,788,052)	(4,928,743)	(2,143,050)	-	(90,382,707)
Net book amount	41,359,166	46,849,112	2,115,665	165,643	7,378,787	97,868,373

Notes to the Consolidated Financial Statements

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14 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2025 and 2024, certain buildings with a carrying amount of RMB10,449,652 and RMB9,279,211, respectively, were pledged as collateral for the borrowings of the Group (Note 33).

Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive (loss)/income (Note 9) as follows:

	Year ended 31 December	
	2025	2024
	<i>RMB</i>	<i>RMB</i>
Cost of sales	6,348,983	5,031,583
Administrative expenses	2,170,581	1,514,862
Research and development expenses	1,280,594	1,157,421
	9,800,158	7,703,866

Notes to the Consolidated Financial Statements

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15 LEASES

(a) Right-of-use assets

The Group's interests in right-of-use assets represented land use rights, mining right and buildings located in the PRC and the United States, the net book values of which are analysed as follows:

	Land use rights RMB	Mining right RMB	Buildings RMB	Total RMB
As at 1 January 2024				
Cost	7,633,091	916,300	508,311	9,057,702
Accumulated depreciation	(2,329,684)	(723,634)	(419,909)	(3,473,227)
Net book amount	5,303,407	192,666	88,402	5,584,475
Year ended 31 December 2024				
Opening net book amount	5,303,407	192,666	88,402	5,584,475
Additions	–	–	1,843,113	1,843,113
Depreciation (Note 9)	(152,650)	(115,600)	(232,395)	(500,645)
Closing net book amount	5,150,757	77,066	1,699,120	6,926,943
As at 31 December 2024				
Cost	7,633,091	916,300	1,843,113	10,392,504
Accumulated depreciation	(2,482,334)	(839,234)	(143,993)	(3,465,561)
Net book amount	5,150,757	77,066	1,699,120	6,926,943
Year ended 31 December 2025				
Opening net book amount	5,150,757	77,066	1,699,120	6,926,943
Additions	–	–	–	–
Depreciation (Note 9)	(152,650)	(77,066)	(334,714)	(564,430)
Closing net book amount	4,998,107	–	1,364,406	6,362,513
As at 31 December 2025				
Cost	7,633,091	916,300	1,843,113	10,392,504
Accumulated depreciation	(2,634,984)	(916,300)	(478,707)	(4,029,991)
Net book amount	4,998,107	–	1,364,406	6,362,513

Notes to the Consolidated Financial Statements

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15 LEASES (Continued)

(a) Right-of-use assets (Continued)

Depreciation of right-of-use asset has been charged to the consolidated statements of comprehensive (loss)/income (Note 9) as follows:

	Year ended 31 December	
	2025	2024
	RMB	RMB
Administrative expenses	487,364	385,045
Cost of sales	77,066	115,600
	564,430	500,645

As at 31 December 2025 and 2024, certain land use rights with a carrying amount of RMB4,998,107 and RMB5,150,757, respectively, were pledged as collateral for the borrowings of the Group (Note 33).

(b) Lease liabilities

(i) Lease liabilities recognised in the consolidated balance sheets:

	As at 31 December	
	2025	2024
	RMB	RMB
Lease liabilities		
Current	332,700	319,818
Non-current	1,121,390	1,456,180
	1,454,090	1,775,998

(ii) The following table shows the remaining contractual maturities of the lease liabilities:

	As at 31 December	
	2025	2024
	RMB	RMB
Within 1 year	378,516	378,523
Between 1 and 2 years	386,911	387,110
Between 2 and 3 years	395,307	395,697
Above 3 years	399,660	782,093
	1,560,394	1,943,423
Less: total future interest expenses	(106,304)	(167,425)
	1,454,090	1,775,998

Notes to the Consolidated Financial Statements

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15 LEASES (Continued)

(b) Lease liabilities (Continued)

(ii) The following table shows the remaining contractual maturities of the lease liabilities: (Continued)

Present value of lease liabilities

	As at 31 December	
	2025	2024
	RMB	RMB
Within 1 year	332,700	319,818
Between 1 and 2 years	353,412	340,254
Between 2 and 3 years	374,883	361,437
Above 3 years	393,095	754,489
	1,454,090	1,775,998

	Year ended 31 December	
	2025	2024
	RMB	RMB
Interest expenses (included in finance cost) (Note 11)	56,796	29,432
Expense relating to short-term leases (included in expenses) (Note 9)	468,416	552,975
	525,212	582,407
Cash outflow for leases as operating activities	428,768	458,479
Cash outflow for leases as financing activities	378,704	192,376
	807,472	650,855

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16 LEASEHOLD IMPROVEMENTS AND OTHER NON-CURRENT ASSETS

Leasehold improvements and other non-current assets include construction of drilling, reservoir, bleachery and other improvements engineering on leasehold land.

	<i>RMB</i>
At 1 January 2024	
Cost	64,805,750
Accumulated amortisation	(32,709,359)
Net book amount	32,096,391
Year ended 31 December 2024	
Opening net book amount	32,096,391
Transfer from construction in progress (<i>Note 14</i>)	6,898,442
Amortisation	(8,513,783)
Closing net book amount	30,481,050
At 31 December 2024	
Cost	71,704,192
Accumulated amortisation	(41,223,142)
Net book amount	30,481,050
Year ended 31 December 2025	
Opening net book amount	30,481,050
Additions	11,808,767
Transfer from construction in progress (<i>Note 14</i>)	9,187,750
Amortisation	(7,935,731)
Closing net book amount	43,541,836
At 31 December 2025	
Cost	92,700,709
Accumulated amortisation	(49,158,873)
Net book amount	43,541,836

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16 LEASEHOLD IMPROVEMENTS AND OTHER NON-CURRENT ASSETS (Continued)

The amortisation of leasehold improvements and other non-current assets has been charged to the consolidated statement of comprehensive (loss)/income (Note 9) and balance sheet as follows:

	Year ended 31 December	
	2025	2024
	RMB	RMB
Cost of sales	5,400,770	3,968,396
Inventories – raw materials	1,727,001	3,682,711
Administrative expenses	807,960	862,676
	7,935,731	8,513,783

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17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2025 RMB	2024 RMB
Trade receivables (a)	85,768,493	77,868,421
Less: provision for impairment	(5,044,516)	(6,262,187)
	80,723,977	71,606,234
<i>Other receivables</i>		
– Deposits	968,729	949,866
– Staff advances	104,580	224,084
– Related party borrowing (Note 34(d))	28,665	28,665
– Receivable from loaning to an employee (b)	–	1,410,433
– Others (c)	226,593	303,952
	1,328,567	2,917,000
Less: provision for impairment	(38,272)	(202,749)
	1,290,295	2,714,251
<i>Prepayments</i>		
– Purchase of raw materials	4,864,597	7,197,774
– Service fees	1,677,337	1,700,487
	6,541,934	8,898,261
<i>Other current assets</i>		
– Value-added tax recoverable	707,580	565,399
– Prepaid income tax	38,643	232,794
	746,223	798,193
Trade and other receivables, prepayments and other current assets– net	89,302,429	84,016,939

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for the year ended 31 December 2025

17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

As at 31 December 2025 and 2024, the fair values of the trade and other receivables of the Group, except for the prepayments and other current assets which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables mentioned above.

	As at 31 December	
	2025	2024
	RMB	RMB
RMB	77,429,981	69,478,736
USD	4,584,291	4,841,749
	82,014,272	74,320,485

(a) The aging analysis of trade receivables is as follows:

	As at 31 December	
	2025	2024
	RMB	RMB
- Within 180 days	65,886,950	54,627,569
- Over 180 days and within 1 year	14,607,046	12,961,088
- Over 1 year and within 2 years	1,408,185	6,699,565
- Over 2 years and within 3 years	361,065	262,213
- Over 3 years	3,505,247	3,317,986
	85,768,493	77,868,421

The credit period granted to customers is normally between 90 days to 180 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

Notes to the Consolidated Financial Statements

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17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

- (b) The Company entered into a short-term loan agreement with its employee in 2024, of which the interest rate is 6% per annum. The Company fully collected the loan receivable in 2025.
- (c) In September 2025, the Company executed a margin trading agreement with a financial institution. Pursuant to which, the Company established a margin account and deposited collateral using its existing securities or cash to engage in leveraged securities trading, while maintaining the required margin ratio with reference to the agreement.

As at 31 December 2025, all equity securities have been disposed and there was no outstanding margin loans. The remaining account balance of RMB89,529, representing the cash surplus of RMB134,293 in the margin account net of interests of RMB44,764 accrued on previous margin loans, was recorded and included in "other receivable - others".

18 FINANCIAL ASSETS AT FVOCI

	As at 31 December	
	2025 RMB	2024 RMB
Notes receivable	10,372,236	8,079,375
Less: provision for impairment	-	(100,000)
	10,372,236	7,979,375

As at 31 December 2025, all financial assets at FVOCI were notes receivable, no impact of expected loss of FVOCI was identified (2024: impact of expected loss of FVOCI was assessed to be insignificant, except one individually assessed notes receivable amounted to RMB100,000, which was fully provided impairment in prior years due to the bankruptcy of the counter-party).

19 FINANCIAL ASSETS AT FVPL

(a) Classification of financial assets at FVPL

Financial assets measured at FVPL include the following:

	As at 31 December	
	2025 RMB	2024 RMB
Wealth management products	51,307	50,637
Investments in listed equity securities (i)	-	7,730,757
	51,307	7,781,394

- (i) As at 31 December 2024, the balance represents the Group's investments in equity securities listed in Chinese A-share stock markets. As at 31 December 2025, the Group disposed all these investments, and a disposal gain of RMB5,471,222 was recognised in other gains.

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19 FINANCIAL ASSETS AT FVPL (Continued)

(b) Amounts recognised in profit or loss

For the years ended 31 December 2025 and 2024 the following gains and losses were recognised in profit or loss:

Financial assets measured at FVPL include the following:

	Wealth management products <i>RMB</i>	Investments in listed equity securities <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2024	–	–	–
Additions	50,000	13,182,433	13,232,433
Disposals	–	(4,379,846)	(4,379,846)
Disposal losses (<i>Note 8</i>)	–	(30,376)	(30,376)
Changes in fair value recognised in the consolidated statements of comprehensive (loss)/income (<i>Note 8</i>)	637	(1,041,454)	(1,040,817)
As at 31 December 2024	50,637	7,730,757	7,781,394

	Wealth management products <i>RMB</i>	Investments in listed equity securities <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2025	50,637	7,730,757	7,781,394
Additions	–	24,872,055	24,872,055
Disposals	–	(38,074,034)	(38,074,034)
Disposal gains (<i>Note 8</i>)	–	5,471,222	5,471,222
Changes in fair value recognised in the consolidated statements of comprehensive (loss)/income (<i>Note 8</i>)	670	–	670
As at 31 December 2025	51,307	–	51,307

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20 INVENTORIES

	As at 31 December	
	2025	2024
	RMB	RMB
Raw materials	50,932,116	52,616,988
Finished goods	17,779,345	17,236,064
Low value consumables	3,869,576	3,758,655
	72,581,037	73,611,707
Less: provision for write-down	(696,685)	(696,685)
	71,884,352	72,915,022

The cost of inventories recognised as cost of sales amounted to RMB125,827,800 and RMB112,520,895 for the years ended 31 December 2025 and 2024, respectively.

21 CASH AND BANK BALANCES

	As at 31 December	
	2025	2024
	RMB	RMB
Cash at bank and on hand	38,085,011	18,333,668
Less: Restricted cash (a)	(28,725)	(2,002,696)
Cash and cash equivalents	38,056,286	16,330,972

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21 CASH AND BANK BALANCES (Continued)

Cash at bank and on hand are denominated in:

	As at 31 December	
	2025	2024
	RMB	RMB
- RMB	36,349,348	17,924,076
- USD	1,712,507	408,850
- EUR	23,103	-
- HKD	53	742
	38,085,011	18,333,668

(a) As at 31 December 2024, restricted cash were denominated in RMB, which primarily represented guaranteed deposits pledged to bank for issuance of notes payable.

22 SHARE CAPITAL

	Number of shares	Share capital
		RMB
At 31 December 2025 and 2024	38,400,000	38,400,000

23 RETAINED EARNINGS

	Year ended 31 December	
	2025	2024
	RMB	RMB
At the beginning of the year	29,952,220	28,682,282
(Loss)/profit for the year	(76,352)	1,269,938
Appropriation of safety fund (Note 24)	(67,800)	(410,280)
Utilisation of safety fund (Note 24)	67,800	410,280
At the end of the year	29,875,868	29,952,220

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24 OTHER RESERVES

	Share Premium RMB	Statutory reserve RMB	Safety fund RMB	Exchange translation reserve RMB	Total RMB
As at 1 January 2024	43,531,246	6,816,159	-	-	50,347,405
Appropriation of safety fund (i)	-	-	410,280	-	410,280
Utilisation of safety fund (i)	-	-	(410,280)	-	(410,280)
Exchange differences on translation of foreign operations	-	-	-	(5,355)	(5,355)
As at 31 December 2024	43,531,246	6,816,159	-	(5,355)	50,342,050
As at 1 January 2025	43,531,246	6,816,159	-	(5,355)	50,342,050
Appropriation of safety fund (i)	-	-	67,800	-	67,800
Utilisation of safety fund (i)	-	-	(67,800)	-	(67,800)
Exchange differences on translation of foreign operations	-	-	-	13,780	13,780
As at 31 December 2025	43,531,246	6,816,159	-	8,425	50,355,830

- (i) Pursuant to certain regulations issued by the Ministry of Finance and Ministry of Emergency, the Group is required to set aside an amount to a safety fund at RMB3 per ton of raw ore mined. The fund can be used for improvements of safety at the mines and are not available for distribution to shareholders.

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25 DEFERRED GOVERNMENT GRANTS

Government grants relating to integrated utilization project of associated mine are deferred. The Group benefits from the government grants by using the production lines which are depreciated on a straight-line basis to the grants. So the government grants are recognised in the profit or loss on a straight-line basis over the expected useful lives of the related production lines.

The analysis of deferred government grants is as follows:

	As at 31 December	
	2025	2024
	RMB	RMB
Deferred government grants		
– Current	280,970	280,970
– Non-current	1,601,388	1,882,358
	1,882,358	2,163,328

Movements in deferred government grants for the years ended 31 December 2025 and 2024 are as follows:

	As at 31 December	
	2025	2024
	RMB	RMB
At the beginning of the year	2,163,328	2,444,298
Credited to the consolidated statement of comprehensive (loss)/income	(280,970)	(280,970)
At the end of the year	1,882,358	2,163,328

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26 PROVISION FOR ENVIRONMENTAL REHABILITATION

	Year ended 31 December	
	2025	2024
	RMB	RMB
At the beginning of the year	3,169,585	2,626,754
Debited to profit or loss	-	542,831
At the end of the year	3,169,585	3,169,585

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam which has been determined by management based on their past experience and best estimate of future expenditure. However, if the impact on the land and the environment from current mining activities becomes different in future periods from originally estimated, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, rehabilitation and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	RMB	RMB
Trade payables	16,964,427	18,994,736
Other payables	11,721,199	11,612,247
Staff salaries and welfare payables	6,837,075	7,395,042
Accrued taxes other than income tax	2,715,719	1,219,435
	38,238,420	39,221,460

As at 31 December 2025 and 2024, all trade and other payables of the Group were non-interest bearing, and their fair value, except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2025 and 2024, trade and other payables were all denominated in RMB.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

27 TRADE AND OTHER PAYABLES (Continued)

The aging analysis of the trade payables is as follows:

	As at 31 December	
	2025 RMB	2024 RMB
Trade payables		
– Within 180 days	14,468,232	15,225,818
– Over 180 days and within 1 year	710,732	99,152
– Over 1 year and within 2 years	116,038	75,116
– Over 2 years and within 3 years	46,394	22,291
– Over 3 years	1,623,031	3,572,359
	16,964,427	18,994,736

28 BORROWINGS

	As at 31 December	
	2025 RMB	2024 RMB
Non-current		
Unsecured (b)	8,465,300	8,366,000
Secured or guaranteed (a)	–	6,400,000
	8,465,300	14,766,000
Current		
Secured or guaranteed (a)	188,408,750	138,532,958
Unsecured (b)	–	19,658,711
	188,408,750	158,191,669
Total borrowings	196,874,050	172,957,669

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

28 BORROWINGS (Continued)

The weight average effective annual interest rates were as follows:

	As at 31 December	
	2025	2024
Secured or guaranteed (a)	3.47%	4.29%
Unsecured – (b)	3.50%	4.22%

At 31 December 2025 and 2024, the Group's borrowings were repayable as follows:

	As at 31 December	
	2025	2024
	RMB	RMB
Within 1 year	188,408,750	158,191,669
Over 1 year	8,465,300	14,766,000
	196,874,050	172,957,669

The fair values of borrowings approximate their carrying amounts as the discounting impact is not significant.

The borrowings are all denominated in RMB.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

28 BORROWINGS (Continued)

(a) Borrowings – secured

Bank borrowings were secured or guaranteed as follows:

	As at 31 December	
	2025	2024
	RMB	RMB
Guaranteed by Zhang Youlian and his spouse(i)	134,000,000	72,500,000
Secured by property, plant and equipment and land use rights, guaranteed by a third party and Zhang Youlian and his spouse(i)	43,500,000	61,400,000
Guaranteed by a third party	5,000,000	5,000,000
Secured by property, plant and equipment and land use rights	5,000,000	5,000,000
Secured by notes receivable	908,750	1,032,958
	188,408,750	144,932,958

(i) Zhang Youlian is the controlling shareholder of the Company (Note 34).

(b) As at 31 December 2025, other borrowings of RMB8,465,300 (31 December 2024: RMB8,366,000) were obtained from a third party. The due date of the borrowings is September 2027.

During the year ended 31 December 2024, letters of credit issued by the Company to one of its subsidiaries for intra-group transaction settlement was negotiated to commercial banks with recourse. The amount received from such arrangement was viewed as borrowing from the bank. As at 31 December 2024, such borrowing amounted to RMB19,658,711 including interests charged at an average interest rate of 3.60% per annum. In June 2025, the borrowing was fully repaid to the bank.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

29 DEFERRED INCOME TAX

	As at 31 December	
	2025	2024
	RMB	RMB
Deferred income tax assets:		
Provision for impairment of financial assets	1,803,490	1,971,331
Deductible tax losses	543,144	548,166
Provision for rehabilitation	475,438	475,438
Lease liabilities	286,525	356,815
Unrealised profits on intra-group transactions	59,080	179,687
Fair value losses of financial assets at FVPL	–	156,123
	3,167,677	3,687,560
Deferred income tax liabilities:		
Right-of-use assets	286,525	356,815
Depreciation of property, plant and equipment	99,008	124,875
	385,533	481,690
	2,782,144	3,205,870

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

29 DEFERRED INCOME TAX (Continued)

Movements in deferred income tax assets during the year ended 31 December 2025 and 2024, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Provision for impairment of financial assets <i>RMB</i>	Unrealised profits On intra-group transactions <i>RMB</i>	Fair value losses of financial assets at FVPL <i>RMB</i>	Provision for rehabilitation <i>RMB</i>	Deductible tax losses <i>RMB</i>	Lease liabilities <i>RMB</i>	Total <i>RMB</i>
At 1 January 2024	1,941,263	71,727	–	394,013	821,752	22,100	3,250,855
Credited/(debited) to the consolidated statement of comprehensive (loss)/income (Note 12)	30,068	107,960	156,123	81,425	(273,586)	334,715	436,705
At 31 December 2024	1,971,331	179,687	156,123	475,438	548,166	356,815	3,687,560
At 1 January 2025	1,971,331	179,687	156,123	475,438	548,166	356,815	3,687,560
Debited to the consolidated statement of comprehensive (loss)/income (Note 12)	(167,841)	(120,607)	(156,123)	–	(5,022)	(70,290)	(519,883)
At 31 December 2025	1,803,490	59,080	–	475,438	543,144	286,525	3,167,677

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

29 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities	Depreciation of property, plant and equipment <i>RMB</i>	Right-of-use assets <i>RMB</i>	Total <i>RMB</i>
At 1 January 2024	(149,003)	(22,100)	(171,103)
Debited/(credited) to the consolidated statement of comprehensive (loss)/income (Note 12)	24,128	(334,715)	(310,587)
At 31 December 2024	(124,875)	(356,815)	(481,690)
At 1 January 2025	(124,875)	(356,815)	(481,690)
Debited to the consolidated statement of comprehensive (loss)/income (Note 12)	25,867	70,290	96,157
At 31 December 2025	(99,008)	(286,525)	(385,533)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2025	2024
	RMB	RMB
Profit for the year before income tax	472,237	1,428,563
Adjustments for:		
– Depreciation of property, plant and equipment (Note 14)	9,800,158	7,703,866
– Amortisation of right-of-use assets (Note 15)	564,430	500,645
– Amortisation of leasehold improvements and other non-current assets (Note 16)	7,935,731	8,513,783
– (Reversal of)/provision for impairment on financial assets (Note 3.1(b))	(1,482,148)	30,034
– Net losses on disposal of property, plant and equipment (Note 8)	45,248	4,417
– Finance costs-net (Note 11)	7,490,505	6,506,684
– Fair value (gains)/losses on financial assets at FVPL (Note 8)	(670)	1,040,817
– Gains on disposal of financial assets at FVPL (Note 8)	(5,471,222)	–
	19,354,269	25,728,809
Changes in working capital:		
– Changes of restricted cash	1,973,971	(1,935,708)
– Increase in trade and other receivables, prepayments and other current assets	(7,775,055)	(12,912,615)
– Decrease/(increase) in inventories	1,030,669	(7,025,872)
– Increase in trade and other payables	1,235,767	4,132,066
Cash generated from operations	15,819,621	7,986,680

(b) Net debt reconciliation

	Year ended 31 December	
	2025	2024
	RMB	RMB
Cash and cash equivalents	38,056,286	16,330,972
Restricted cash	28,725	2,002,696
Borrowings	(196,874,050)	(172,957,669)
Lease liabilities	(1,454,090)	(1,775,998)
Net debt	(160,243,129)	(156,399,999)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Net debt reconciliation (Continued)

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2025 and 2024.

	Assets		Liabilities		Total RMB
	Cash and cash equivalents	Restricted cash	Borrowings	Lease liabilities	
	RMB	RMB	RMB	RMB	
Net debt as at 1 January 2024	14,888,159	2,766,988	(111,401,200)	-	(93,746,053)
Cash flows	1,349,096	(764,292)	(34,875,642)	192,376	(34,098,462)
Accrued interest expenses	-	-	(6,680,827)	(29,432)	(6,710,259)
Non-cash transaction	-	-	-	(1,938,942)	(1,938,942)
Reclassification	-	-	(20,000,000)	-	(20,000,000)
Exchange difference	93,717	-	-	-	93,717
Net debt as at 31 December 2024	16,330,972	2,002,696	(172,957,669)	(1,775,998)	(156,399,999)
Net debt as at 1 January 2025	16,330,972	2,002,696	(172,957,669)	(1,775,998)	(156,399,999)
Cash flows	21,759,403	(1,973,971)	(16,607,168)	378,704	3,556,968
Accrued interest expenses	-	-	(7,433,421)	(56,796)	(7,490,217)
Non-cash transaction	-	-	124,208	-	124,208
Exchange difference	(34,089)	-	-	-	(34,089)
Net debt as at 31 December 2025	38,056,286	28,725	(196,874,050)	(1,454,090)	(160,243,129)

31 CONTINGENCIES

The Group had no material contingent liabilities as at 31 December 2025 and 2024.

32 COMMITMENTS

Capital commitments

Capital expenditure contracted for at each balance sheet date, but not yet incurred is as follows:

	As at 31 December	
	2025 RMB	2024 RMB
Property, plant and equipment	463,300	1,672,150

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

33 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	As at 31 December	
	2025 RMB	2024 RMB
Property, plant and equipment (Note 14)	10,449,652	9,279,211
Land use rights (Note 15)	4,998,107	5,150,757
Financial assets at FVOCI (Note 18)	908,750	1,032,958
	16,356,509	15,462,926

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group, the Company and its related parties during the years ended 31 December 2025 and 2024, and balances arising from related party transactions as at 31 December 2025 and 2024.

(a) Name and relationship with related parties

Name of related party	Relationship
Zhang Youlian (張有連)	Controlling shareholder, chairman and chief executive officer of the Company
Lu Jian (盧健)	Controlling shareholder's spouse
Yangyuan Huanyou Agricultural Technology Co., Ltd.	Controlled by key management of the Company
Shanghai Farmer's Orchard	Controlled by controlling shareholder
Changxing Wuguo Agricultural Technology Co., Ltd.	Controlled by controlling shareholder

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

(i) Advance payment of Zhang Youlian on behalf of the Group

	Year ended 31 December	
	2025	2024
	RMB	RMB
Beginning of the year	386,400	636,400
Repayment	-	(250,000)
End of the year	386,400	386,400

(ii) As at 31 December 2025, bank borrowings of RMB134,000,000 (31 December 2024: RMB72,500,000) were guaranteed by Zhang Youlian and Lu Jian jointly, bank borrowings of RMB43,500,000 (31 December 2024: RMB61,400,000) were guaranteed by Zhang Youlian, Lu Jian and a third party. (Note 28).

(iii) Advance payment of Shanghai Farmer's Orchard on behalf of the Group

	Year ended 31 December	
	2025	2024
	RMB	RMB
Beginning of the year	-	150,000
Repayment	-	(150,000)
End of the year	-	-

(iv) Purchase from related parties

	Year ended 31 December	
	2025	2024
	RMB	RMB
Yangyuan Huanyou Agricultural Technology Co., Ltd.	805,200	714,500
Changxing Wuguo Agricultural Technology Co., Ltd.	49,000	305,750
	854,200	1,020,250

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Key management includes executive directors, non-executive directors, independent non-executive directors, supervisors and senior management whose emoluments are reflected in the analysis shown in Note 36.

(d) Balance with related party

Other receivables

	As at 31 December	
	2025	2024
	RMB	RMB
Yangyuan Huanyou Agricultural Technology Co., Ltd. (Note 17)	28,665	28,665

Other payables

	As at 31 December	
	2025	2024
	RMB	RMB
Zhang Youlian	386,400	386,400
Yangyuan Huanyou Agricultural Technology Co., Ltd.	139,224	179,592
	525,624	565,992

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

35 SUBSIDIARIES

The following is a list of all the subsidiaries at 31 December 2025:

Name	Place and date of establishment	Principal activities and place of operation	Registered/fully paid capital	Proportion of interest directly held by parent
Renheng Refined Clay	Yangyuan, Hebei, PRC 25 March 2004 Limited liability company	Clay mining and processing	RMB24,335,000/ RMB24,335,000	100%
Renheng Chemicals	Changxing, Zhejiang, PRC 21 November 2002 Limited liability company	Wholesaling and retailing chemicals and equipment	RMB5,000,000/ RMB5,000,000	100%
Chang'an Renheng Xinjiang Technology Co., Ltd. ("Renheng Xinjiang")	Khorgas, Xinjiang, PRC 30 April 2024 Limited liability company	Wholesaling and retailing chemicals and equipment	RMB5,000,000/ Nil	100%
Clayminton INC	Houston, Texas, USA 03 July 2024 Incorporated	Wholesaling and retailing chemicals and equipment	USD507,102/ USD507,102	100%

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

Directors', supervisors' and senior management's emoluments for the years ended 31 December 2025 and 2024, respectively, are set out as follows:

	Year ended 31 December	
	2025	2024
	RMB	RMB
Salaries, wages and bonuses	2,771,419	2,686,898
Directors' fees	252,000	252,000
Housing fund, welfare, medical and other benefits	30,562	54,718
Contributions to pension plans	29,489	41,465
	3,083,470	3,035,081

No director, supervisor or senior management has waived or agreed to waive any emoluments for the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

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36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

Directors', supervisors' and senior management's emoluments are set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:					Total
	Directors' fees	Salaries, wages and bonuses	Contributions to pension plans	Housing fund, welfare, medical and other benefits	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	RMB	RMB	RMB	RMB	RMB	RMB
For the year ended 31 December 2025:						
Executive Directors						
Zhang Youlian (張有連) (i)	-	508,900	-	-	-	508,900
Fan Fang (范芳)	-	278,536	770	529	-	279,835
She Wenjie(余文傑) (ii)	-	325,025	9,573	10,011	-	344,609
Non-executive Directors						
Zhang Jinhua (張金花) (iii)	-	55,836	-	-	-	55,836
Independent Non-executive Directors						
Zhang Lei (章磊) (iv)	92,000	-	-	-	-	92,000
Tang Jingyan (唐靖炎) (v)	80,000	-	-	-	-	80,000
Chen Jianping (陳建平) (vi)	80,000	-	-	-	-	80,000
Supervisors						
Xu Qinsi (徐勤思) (vii)	-	217,502	-	-	-	217,502
Zhang Donglian (張冬連)	-	177,200	9,573	10,011	-	196,784
Li Lijiao (李麗蛟) (viii)	-	149,065	9,573	10,011	-	168,649
Senior Management						
Xu Qinwei (徐勤偉)	-	499,836	-	-	-	499,836
Su Pin (蘇品)	-	217,519	-	-	-	217,519
Chan Hon Wan(陳漢雲) (ix)	-	342,000	-	-	-	342,000
	252,000	2,771,419	29,489	30,562	-	3,083,470

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

Directors', supervisors' and senior management's emoluments are set out below (continued):

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:					Total RMB
	Directors' fees RMB	Salaries, wages and bonuses RMB	Contributions to pension plans RMB	Housing fund, welfare, medical and other benefits RMB	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB	
For the year ended 31 December 2024:						
Executive Directors						
Zhang Youlian (張有連) (i)	-	484,800	-	-	-	484,800
Fan Fang (范芳)	-	265,736	8,293	10,082	-	284,111
She Wenjie(佘文傑) (ii)	-	314,939	8,293	10,082	-	333,314
Non-executive Directors						
Zhang Jinhua (張金花) (iii)	-	54,836	-	-	-	54,836
Independent Non-executive Directors						
Zhang Lei (章磊) (iv)	92,000	-	-	-	-	92,000
Tang Jingyan (唐靖炎) (v)	80,000	-	-	-	-	80,000
Chen Jianping (陳建平) (vi)	80,000	-	-	-	-	80,000
Supervisors						
Xu Qinsi (徐勤思) (vii)	-	255,736	8,293	10,082	-	274,111
Zhang Donglian (張冬連)	-	177,800	8,293	10,082	-	196,175
Li Lijiao (李麗蛟) (viii)	-	134,169	8,293	10,082	-	152,544
Senior Management						
Xu Qinwei (徐勤偉)	-	342,736	-	-	-	342,736
Su Pin (蘇品)	-	314,146	-	4,308	-	318,454
Chan Hon Wan(陳漢雲) (ix)	-	342,000	-	-	-	342,000
	252,000	2,686,898	41,465	54,718	-	3,035,081

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

- (i) Mr. Zhang Youlian was appointed as an executive director and the chairman of the Board since 29 December 2008.
- (ii) Mr. She Wenjie was appointed as an executive director since October 2019.
- (iii) Ms. Zhang Jinhua was appointed as a non-executive director since 14 May 2016.
- (iv) Mr Zhang Lei was appointed as independent non-executive directors since 11 May 2019.
- (v) Mr Tang Jingyan were appointed as independent non-executive directors since 19 October 2019.
- (vi) Mr. Chen Jianping, was appointed as an independent non-executive director since 21 February 2022.
- (vii) Mr. Xu Qinsi was appointed as a supervisor since September 2012.
- (viii) Ms Li Lijiao was appointed as a supervisor since 22 March 2019.
- (ix) Mr. Chan Hon Wan, was appointed as Company secretary since April 2014.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

	Note	As at 31 December	
		2025 RMB	2024 RMB
ASSETS			
Non-current assets			
Property, plant and equipment		36,348,474	38,112,754
Right-of-use assets		3,109,795	3,212,976
Investments in subsidiaries		30,101,606	27,716,724
Deferred income tax assets		1,738,953	2,111,979
		71,298,828	71,154,433
Current assets			
Inventories		13,681,567	12,621,621
Trade and other receivables, prepayments and other current assets		73,645,325	73,425,748
Amounts due from subsidiaries		73,531,358	71,083,166
Financial assets at FVOCI		9,350,133	7,594,470
Financial assets at FVPL		51,307	7,781,394
Restricted cash		2,000	2,002,020
Cash and cash equivalents		27,186,181	9,866,660
		197,447,871	184,375,079
Total assets		268,746,699	255,529,512
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital		38,400,000	38,400,000
Other reserves	a	50,347,405	50,347,405
Retained earnings	a	18,171,900	18,295,954
Total equity		106,919,305	107,043,359

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

	Note	As at 31 December	
		2025 RMB	2024 RMB
LIABILITIES			
Non-current liabilities			
Deferred government grants		1,601,388	1,882,358
Current liabilities			
Deferred government grants		280,970	280,970
Trade and other payables		18,536,286	21,789,867
Amounts due to subsidiaries		–	20,000,000
Borrowings		141,408,750	104,532,958
		160,226,006	146,603,795
Total liabilities		161,827,394	148,486,153
Total equity and liabilities		268,746,699	255,529,512

The balance sheet of the Company was approved by the Board of Directors on 31 March 2026 and was signed on its behalf.

Zhang Youlian

Fan Fang

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

(a) Reserves movements of the Company

	Retained earnings <i>RMB</i>	Other reserves <i>RMB</i>	Total <i>RMB</i>
At 1 January 2024	20,597,882	50,347,405	70,945,287
Loss for the year	(2,301,928)	–	(2,301,928)
At 31 December 2024	18,295,954	50,347,405	68,643,359
At 1 January 2025	18,295,954	50,347,405	68,643,359
Loss for the year	(124,054)	–	(124,054)
At 31 December 2025	18,171,900	50,347,405	68,519,305

38 SUMMARY OF OTHER ACCOUNTING POLICIES

This note provides a list of other accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

38.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 38.21).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive (loss)/income, statement of changes in equity and balance sheet respectively.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.2 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company and most of its subsidiaries' functional and the Group's presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other (losses)/gains – net.

(c) **Group companies**

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange translation reserve in equity.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.3 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual rate
Buildings, fixtures and facilities	5 to 40 years	5%
Machinery and equipment	4 to 10 years	5%
Vehicles	4 to 10 years	5%
Electronic and office equipment	3 to 5 years	5%

Construction in progress represents buildings, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 38.5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains - net" in the profit or loss.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.4 Leasehold improvements and other non-current assets

Leasehold improvements are stated at cost and amortised over the lower of expected beneficial periods or lease periods on a straight-line basis, or where applicable, using the units of production method, based on proved and probable ore reserves of the relevant mine, net of any impairment losses, if any (Note 38.5).

38.5 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

38.6 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.6 Investments and other financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

38.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

38.8 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 17 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

38.9 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.10 Restricted cash

Restricted cash represents guaranteed deposits held in a separate reserve account to be pledged to the bank for issuance of trade facilities such as time deposits as security deposits for borrowing agreement, guaranteed deposits for issuance of bills payable and guaranteed deposits for purchase of equipment. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

38.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

38.12 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

38.13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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.

Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.14 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.15 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group.

(b) Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to profit or loss as incurred. Apart from those described above, the Group does not have other legal or constructive obligations over such benefits.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

38.16 Provisions

Provisions for environmental rehabilitation are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

38.18 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

38.19 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.20 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other gains/(losses) – net.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below. Any other interest income is included in other gains/(losses) – net.

38.21 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.21 Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

38.22 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

38.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the Company that makes strategic decisions.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2025

38 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

38.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

38.25 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

38.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

38.27 Safety fund

According to CaiQi [2022] No 136 "Management measures for the accruals and utilization of safety fund for enterprises", issued by the Ministry of Finance ("MOF") and Ministry of Emergency, the Group is required to accrue a "safety fund" to improve the production safety. Accruals to the safety fund are treated as an appropriation to reserves, which will be reversed to retained earnings upon utilization and charged to cost of sales.

Financial Summary

The following table sets out the financial summary of our Group for the five years ended 31 December:

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Results					
Revenue	207,439	194,863	162,278	150,818	144,398
Profit before taxation	472	1,429	2,638	1,610	8,370
Income tax expense	(548)	(159)	(335)	(190)	(935)
(Loss)/profit for the year	(76)	1,270	2,303	1,420	7,435
Attributable to					
Equity holders of the Company	(76)	1,270	2,303	1,420	7,435
	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Assets and liabilities					
Total assets	360,250	337,982	292,849	278,152	248,598
Total liabilities	(241,618)	(219,288)	(175,420)	(163,025)	(134,891)
Equity attributable to equity holders of the Company	118,632	118,694	117,429	115,127	113,707
	As at 31 December				
	2025	2024	2023	2022	2021
Liquidity and Asset-liability Ratio					
Current ratio ⁽¹⁾	0.92	0.96	1.08	1.20	1.08
Quick ratio ⁽²⁾	0.61	0.60	0.64	0.74	0.63
Gearing ratio ⁽³⁾	133.9%	132.0%	82.2%	87.4%	75.0%

Note:

- (1) Current ratio represents total current assets divided by total current liability as at the relevant year end.
- (2) Quick ratio represents total current assets less inventories divided by total current liability as at the relevant year end.
- (3) Gearing ratio represents total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year and multiplied by 100%.