



CMBEC

ANNUAL REPORT **2025**

CHANGMAO BIOCHEMICAL ENGINEERING COMPANY LIMITED
常茂生物化學工程股份有限公司

(A Joint Stock Limited Company Incorporated In The People's Republic Of China)

(Stock Code: 954)



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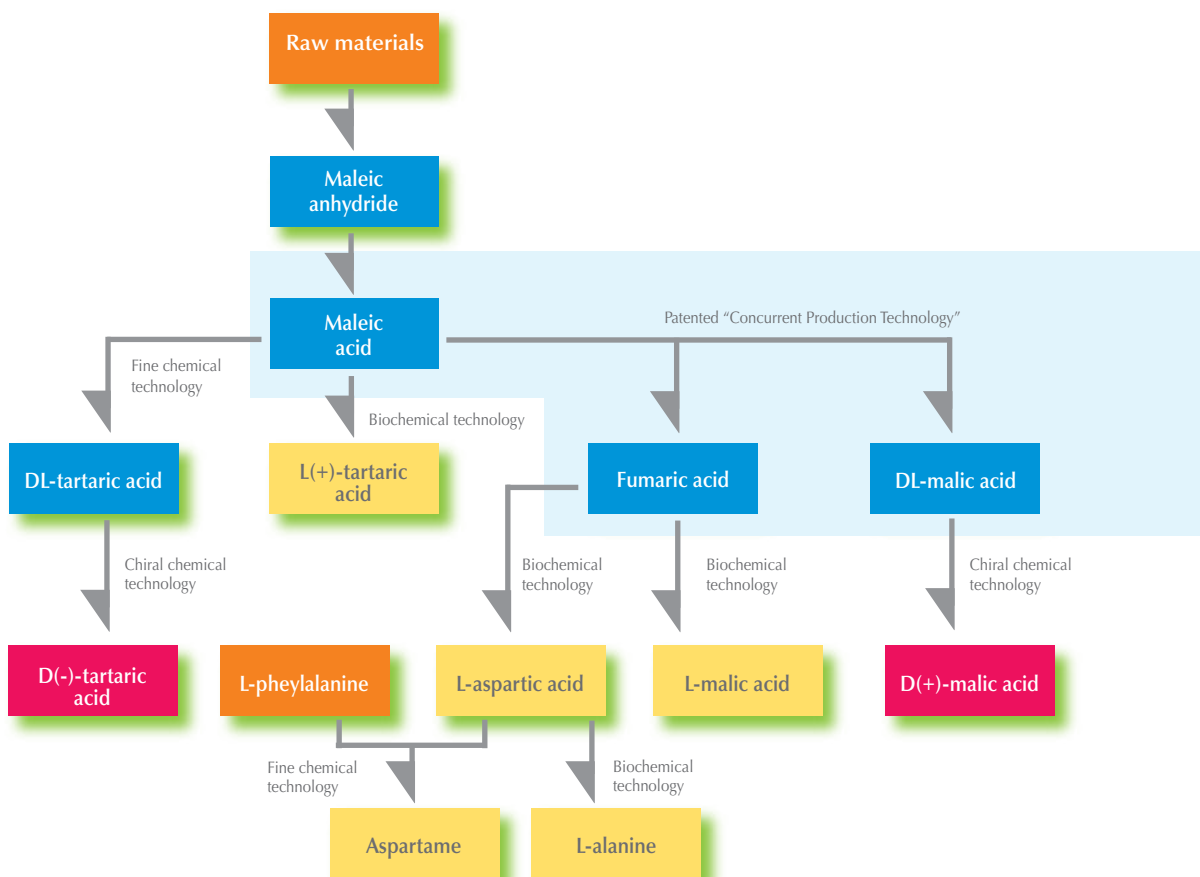
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CORPORATE PROFILE

Established in 1992, Changmao Biochemical Engineering Company Limited is a leading organic acid producer in the PRC. Changmao produces organic acids products for sales to food additive, chemical and pharmaceutical industries. Changmao’s products conform to the highest international standards and are sold domestically and exported to overseas such as Europe, Asia Pacific and America.

The core products of the Group are organic acids and their derivatives with four carbons in their structures including maleic anhydride, fumaric acid, maleic acid, L-malic acid, D-malic acid, DL-malic acid, L(+)-tartaric acid, D(-)-tartaric acid, DL-tartaric acid, L-aspartic acid and aspartame. These products are mainly used as food additives or medical intermediaries. The Group’s major products are produced along vertical production chains. The major advantage of the production chains is that each of the products in the production chains is also a finished product for sales to customers.

PRODUCTION FLOWCHART OF CHANGMAO’S PRODUCTS

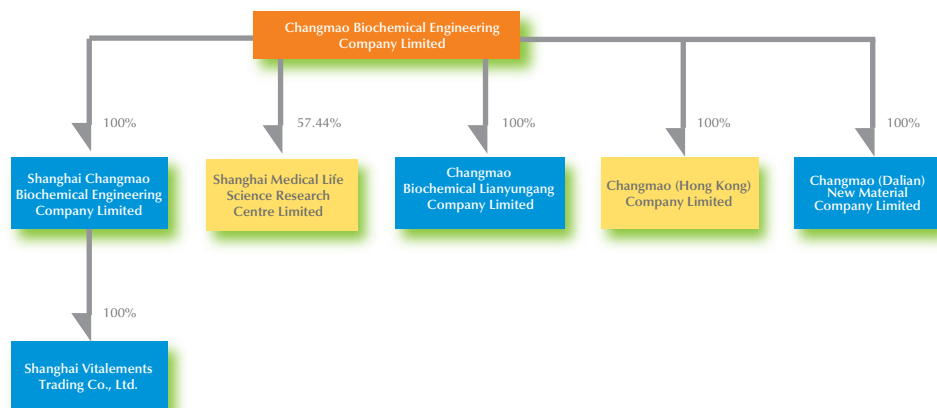


CORPORATE PROFILE

The Group persists in pursuing advanced technologies as its production direction and focuses in investment in new technology research and development which combines the production process with theoretical concepts. The Group received numerous awards in relation to production technologies including First Prize in Technological Achievement (技術發明一等獎) and Second Prize in Scientific Improvement (科技進步二等獎) in The Petroleum Chemical Industry in China (中國石油化工行業). The Group attained the ISO9001 Quality System Standards, Environmental Management System ISO14001, ISO22000 Food Safety Management System and FSSC22000 Food Safety System Certification. Its core product, L(+)-tartaric acid obtained the Food and Drug Administration (FDA) certificate. The Group's logo  was also recognised as a Famous Trademark in the PRC (中國馳名商標).

The Group's major competitive edge is its delicate and advanced production system. Changmao successfully applied the theoretical concepts of enzyme technology and chirotechnology in its highly efficient and cost effective production process. The Group has two research and development centres, Chirotechnology Centre which is based in Changzhou, and the Shanghai Medical Life Science Research Centre Limited to research on new products and new production technologies. The Group will continue the production of food additives as its core business and develop new nutraceutical products to extend its production chain. The Group believes its strong capability in research and development would enable the Group to continue to grow.

GROUP STRUCTURE



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Rui Xin Sheng (*Chairman*)
 Mr. Pan Chun (*Chief Executive Officer*)
 Ms. Rui Xiao Qian

NON-EXECUTIVE DIRECTORS

Mr. Yu Xiao Ping
 Ms. Leng Yi Xin
 Mr. Lin Ze Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Zhi Wei
 Mr. Shu Rong Xin
 Ms. Cheng Mun Wah

SUPERVISORS NOMINATED BY SHAREHOLDERS

Ms. Rui Li Qin
 Ms. Zhou Rui Juan

SUPERVISOR NOMINATED BY EMPLOYEES

Mr. Zhang Jun Peng

COMPANY SECRETARY

Ms. Wan, Pui Ling Alice (CPA)

AUTHORISED REPRESENTATIVES

Mr. Rui Xin Sheng
 Ms. Wan, Pui Ling Alice (CPA)

COMPLIANCE OFFICER

Mr. Rui Xin Sheng

AUDIT COMMITTEE

Mr. Zhou Zhi Wei
 Mr. Shu Rong Xin
 Ms. Cheng Mun Wah*

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Rui Xin Sheng
 Mr. Zhou Zhi Wei
 Mr. Shu Rong Xin*
 Ms. Cheng Mun Wah

NOMINATION COMMITTEE

Mr. Rui Xin Sheng
 Mr. Zhou Zhi Wei*
 Mr. Shu Rong Xin
 Ms. Cheng Mun Wah

LEGAL ADDRESS

No. 1228 Chang Jiang Bei Road
 New North Zone
 Changzhou City
 Jiangsu Province, 213034
 The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 54, 5/F, New Henry House
 10 Ice House Street
 Central
 Hong Kong

PRINCIPAL BANKERS

Bank of China
 Industrial and Commercial Bank of China
 Shanghai Pudong Development Bank

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
 Services Limited
 17M Floor
 Hopewell Centre
 183 Queen's Road East
 Hong Kong

AUDITORS

PricewaterhouseCoopers
*Certified Public Accountants and
 Registered PIE Auditor*

COMPANY'S WEBSITE ADDRESS

www.cmbec.com.hk

STOCK CODE

954

* *chairman of the relevant committee*

CHAIRMAN'S STATEMENT

To the shareholders,

On behalf of the Board, I would like to present the Group's full year results and audited consolidated financial statements for the year ended 31 December 2025.

RESULTS REVIEW

For the year ended 31 December 2025, the Group recorded sales revenue of approximately RMB556,925,000, representing a decrease of about 5% compared with RMB584,794,000 of last year. The net loss attributable to shareholders of the Company was approximately RMB66,763,000, remaining about the same level as that of last year. The net loss for 2025 included an impairment loss on long-term assets of RMB10,735,000 (2024: RMB928,000). Before deducting the impairment loss, the loss attributable to shareholders of the Company amounted to approximately RMB56,028,000 (2024: RMB67,315,000), representing a decrease of about 17% as compared with that of last year; before deducting the impairment loss, the gross profit margin also increased by about 2% over the last year.

In 2025, the industry in which the Group operates was deeply affected by severe overcapacity and increasingly fierce market competition, leading to significantly higher operating pressure. Facing a complex and challenging market environment, the Group remained focused on the core operating factors of **output, cost and quality**, and fully leveraged its internal potential through refined production management. By optimising production processes and advancing technological innovation, the Group enhanced production efficiency and reduced overall costs. At the same time, it flexibly adjusted production plans and product mix in response to market demand, concentrated on the production layout of marketable products, and achieved an efficient alignment between production and sales. As a result, the Group's total annual output reached the highest level in recent years, while the production capacity of its core products increased steadily, effectively ensuring the stability of the Group's operating performance.

Affected by the decline in the price of maleic anhydride, Changmao Dalian has not yet achieved profitability in the current period. The Group has controlled the extent of losses through adjustments to production lines and internal raw materials coordination and usage. At the same time, as an impairment provision of RMB10,735,000 was recognised for the relevant assets during the current period, the above matters together dragged down the Group's performance in 2025. Looking ahead, with the steady release of phase II production capacity of Changmao Dalian and the industrial chain synergy effects, the Group's overall performance is expected to improve in 2026.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

1. Production

In 2025, the Group continuously improved labour productivity by deepening lean production, refining management processes and optimising personnel allocation. At the same time, the Group placed strong emphasis on enhancing and controlling product quality, established a full-process quality closed-loop management system, and provided targeted solutions to meet customer needs. The Group also actively developed the production of high-end customised products, completed process breakthroughs and mass production of several high-end products such as electronic-grade tartaric acid and customised fumaric acid, consolidated and expanded its high-end customer base through high-quality products, and strengthened its market reputation with quality as the foundation.

2. Sales

In 2025, the total sales amount of the Group's major products remained stable, and the sales volume of the major products all recorded growth. The sales team continued to cultivate relationships with key customers and end-users, maintaining the Group's market share amid intense market competition. At the same time, the Group actively promoted high value-added products and alleviated the pressure on gross profit margin caused by the decline in product prices through enhancing service quality and product differentiation.

3. Safety and Environmental Protection

The Group conscientiously implemented daily safety management work, continuously enhanced the development of its safety management culture, fully implemented the accountability system for safe production, carried out hidden hazard investigation and rectification as well as emergency drills, and firmly upheld the red line of safety. During the year, the Group also completed the preparation of the "Corporate Policy on Climate Change Response", conducted and obtained carbon footprint reports for its major products, and the Changzhou plant was included in the "Green Factory of Jiangsu Province", laying a solid foundation for sustainable development.

CHAIRMAN'S STATEMENT

RESEARCH AND DEVELOPMENT

The Group has always maintained a strong commitment to research and development, continuously advancing the development of new products and the improvement of existing product processes. In 2025, the Group's key research and development efforts were as follows:

1. In 2025, the Group carried out 11 research and development projects and filed 11 new patent applications, including 8 invention patents and 3 utility model patents. These covered multiple areas such as green process improvements, pharmaceutical excipient development, and synthetic biology;
2. Successfully applied for the Jiangsu Provincial Industry Technology Engineering Centre – Jiangsu Provincial Industry Technology Engineering Centre for Biocatalytic Enzymes (in preparation); and
3. The Pharmaceuticals Division registered 1 new pharmaceutical excipient with the Centre for Drug Evaluation (CDE) of the National Medical Products Administration, and 3 pharmaceutical excipients were converted to A status (jointly reviewed and approved by CDE together with the formulation).

KEY PROJECTS

Dalian Plant Project

Since commencement of production, the phase II special anhydride product production line of the Dalian plant has been operating well, with product quality recognised by customers, production capacity increasing steadily, and the products having successfully entered the market and passed validation by multiple benchmark customers in the industry, thereby laying a solid foundation for the increase in sales volume in 2026 and beyond. In 2025, the Group also completed the relocation and integration of relevant production lines at the Lianyungang plant, making the product chain of the Dalian plant more complete and more competitive.

CHAIRMAN'S STATEMENT

PROSPECTS AND OUTLOOK

In its future development, the Group will continue to leverage technological innovation to lead its corporate development, carry out its work centering on customer needs, and focusing on economic benefits, while relying on the supporting and complemented advantages of its product chain to maintain its leading position in the industry. Specifically, the Group will carry out its work focusing on the following aspects:

1. Strengthening Technological Innovation to Promote Product Upgrading

The Group adheres to the principle that technological innovation is the source of long-term corporate development and will continue to increase research and development investment in the future, integrate its R&D team, focus on key breakthroughs in areas such as green processes, pharmaceuticals, electronic chemicals, and new materials, cultivate new products with market competitiveness, and promote the renewal and upgrading of its product chain.

2. Enhancing Safety and Environmental Governance Levels and Comprehensively Strengthening Full-Process Risk Control

The Group strictly benchmarks against EU carbon emission policies and decarbonisation management systems, and will advance step by step in the future according to carbon emission measurement, low-carbon planning formulation, process assessment and control, and compliance standard implementation, thereby responding to customers' high-standard requirements for suppliers' sustainable development and full-chain decarbonisation. The Group's long-term sustained investment and capability accumulation in the fields of safety and environmental protection, and low-carbon governance, are transforming into significant compliance advantages and market competitiveness, providing solid guarantees for steady operations and global cooperation. On the safety front, the Group will also continue to strengthen risk control, improve the safe production environment, and eliminate safety accidents.

3. Focusing on Product Quality and Maintaining Brand Image

The Group regards quality as the foundation of its business, taking international top-tier brands as benchmarks, continuously improving product quality, deepening cooperation with end customers, providing customised solutions around customers' personalised needs, consolidating customer trust with high-quality products, continuously expanding the high value-added customer base, and increasing the proportion of high-end product sales.

CHAIRMAN'S STATEMENT

4. Focusing on Market Expansion and Developing High-End End Customers

The Group is committed to the development of major customers and end-users, taking customers as the centre to meet diverse needs, and enhancing the visibility and overall competitiveness of the Changmao brand through improvements in product quality and service. At the same time, the Group will continue to focus on international market expansion, enhancing Changmao's international influence through cooperation with international major customers on new products and new technologies.

Looking Ahead, opportunities and challenges coexist. The Group will continue to focus on the production of food additives as its core business, enhance the competitiveness of existing products, accelerate the commercialisation of new products, and actively explore new market segments and application areas.

The long-term and stable development of the Group is inseparable from the strong support of all shareholders. On behalf of the Board, I would like to express my most sincere gratitude to all investors.

Rui Xin Sheng
Chairman

The PRC, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF KEY PERFORMANCE INDICATORS

Revenue (2025: RMB556,925,000; 2024: RMB584,794,000) and **gross profit margin** (2025 3.2%; 2024: 2.9%)

The decrease in revenue for the year ended 31 December 2025 was primarily due to lower product selling prices and increased market competition. Gross margin for the year ended 31 December 2025 increased as compared with that of last year notwithstanding an impairment loss on property, plant and equipment of RMB10,735,000 (2024: RMB928,000) was made. Gross margin before impairment loss in 2025 was approximately 5.1%, which increased by approximately 2% as compared to that in 2024, as the Group had adjusted its sales and production plans in response to market conditions and reduced costs.

Selling and administrative expenses (2025: RMB75,633,000; 2024: RMB81,019,000)

The reduction in sales and administrative expenses was primarily due to measures taken by the Group to control management costs and a reduction in research and development expenses.

Other income (2025: RMB7,712,000; 2024: RMB7,945,000)

Other income in 2025 was at a similar level to that in 2024, and other income mainly consisted of government subsidies.

Other gains/(losses), net (2025: RMB1,677,000; 2024: RMB(566,000))

Other gains in 2025 mainly consisted of the reversal of provisions for the demolition of property, plant and equipment. Other losses in 2024 mainly consisted of losses from the sale of property, plant and equipment, and provisions for the demolition of property, plant and equipment while some losses were offset by exchange gains.

Finance costs, net (2025: RMB16,593,000; 2024: RMB10,514,000)

The increase in net financing costs was primarily due to a decrease in capitalised interest expense on eligible assets and an increase in interest expense recognized in the consolidated statement of comprehensive income.

Income tax expense (2025: RMB2,207,000; 2024: RMB669,000)

The increase in income tax expense was mainly due to the increase in pre-tax profit of the Company's Changzhou factory. The Company, being qualified as a High and New Technology Enterprise, is entitled to a preferential CIT rate of 15% for the year ended 31 December 2025. Other subsidiaries of the Group in Mainland China are subject to a standard tax rate of 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year attributable to the shareholders of the Company

For the year ended 31 December 2025, the Group recorded a loss attributable to the shareholders of the Company of approximately RMB66,763,000 (2024: RMB68,243,000), which includes an impairment loss on property, plant and equipment of RMB10,735,000 (2024: RMB928,000). Before deducting the impairment loss, the loss attributable to the shareholders of the Company was approximately RMB56,028,000 (2024: RMB67,315,000), a decrease of approximately 17% compared to that of previous year. This was mainly due to the Group's adjustment of its sales and production plans and the adoption of cost-saving measures that led to an increase in gross profit margin before impairment loss by approximately 2% and a decrease in some of the expenses.

SEGMENTAL INFORMATION

Some of the Group's products are exported to Asia Pacific, Europe and America. As expressed as a percentage of revenue, export sales (excluding sales through import-export agents in the PRC) accounted for approximately 30.2% (2024: 30.8%) of the Group's revenue while domestic sales in the PRC accounted for approximately 69.8% (2024: 69.2%) of the Group's revenue.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operates in the PRC. Substantially all of its assets, liabilities and capital expenditure are located or incurred in Mainland China. Sales are made to customers in the PRC as well as overseas customers while purchases are mainly from suppliers in the PRC. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD. Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposure should the need arises. The Group used forward foreign exchange contracts and foreign exchange swap contracts to partially hedge the USD exposures during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had outstanding borrowings totaling RMB527,464,000 (2024: RMB524,540,000), including bank borrowings of RMB477,464,000 (2024: RMB524,540,000) and other borrowings of RMB50,000,000 (2024: Nil).

As at 31 December 2025, the secured bank borrowings are secured by the Group's land use rights in Dalian with the carrying value of RMB68,207,000 (2024: RMB69,715,000) and property, plant and equipment with carrying value of RMB78,490,000 (2024: RMB78,298,000) and guaranteed by the Company.

The new other borrowings in 2025 arose from the liabilities under a sale and leaseback agreement. Under the sale and leaseback agreement, Changmao Dalian sold and leased back certain equipment at a sale price of RMB50,000,000. As at 31 December 2025, the net book value of those assets was RMB140,420,000. Upon the expiry of the lease term, the lessor will transfer the ownership of those assets on an "as-is" basis back to Changmao Dalian with no consideration. The Company provided guarantee for the liabilities of Changmao Dalian to perform its obligations under the sale and leaseback agreement. The sale and leaseback arrangement is, in substance, a borrowing from the lessor during the lease period which is secured by certain equipment of Changmao Dalian.

For details of bank and other borrowings, please refer to Note 29 to the consolidated financial statements.

Except for the borrowings disclosed above, as at 31 December 2025 and 2024, the Group did not have any committed borrowing facilities. The Group generally finances its operations with equity fundings and bank borrowings. Excess cash held by the Group is generally placed at banks to earn interest income or invested in wealth management products with banks of low risks.

As at 31 December 2025, the Group had capital commitments for property, plant and equipment amounting to approximately RMB33,053,000 (2024: RMB34,719,000). These capital commitments are mainly used for the payment for the Dalian Factory's production lines. The Group intends to finance the capital commitment by cash flows generated from the Group's operations and/or bank financings.

Save as disclosed above, the Group did not have any charge on its assets during the year ended 31 December 2025. The liabilities-to-assets ratio (calculated based on total liabilities divided by total assets) was 56.2% (2024: 53.3%) as at 31 December 2025. The increase in liabilities-to-assets ratio is mainly due to decrease in property, plant and equipment resulting from depreciation and decrease in inventories resulting from higher turnover ratio. As at 31 December 2025, the Group's cash and cash equivalents amounted to RMB68,152,000 (2024: RMB57,963,000).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

Including the Directors and Supervisors, as at 31 December 2025, the Group had a total of 518 staff (2024: 582). Employees are remunerated in accordance with the nature of the job and also on individual merit. Total amount of staff costs for the year ended 31 December 2025 was approximately RMB86,674,000 (2024: RMB98,884,000). Staff costs decreased mainly because of the decrease in number of staff.

The Company formulated a staff incentive scheme under which for each of the three years ending 31 December 2028, so long as the audited profits (or, where applicable, combined or consolidated profits) attributable to the shareholders (after taxation and non-controlling interest (if any) but before payment of the bonuses referred to below) amount to not less than RMB40 million (the "Target Profit"):

- (a) a sum equivalent to 5% of the amount in excess of the Target Profit will be payable to Mr. Rui Xin Sheng (the Chairman) as a bonus for the relevant year;
- (b) a sum equivalent to 5% of the amount in excess of the Target Profit will be payable to the general manager and all the Directors (other than Mr. Rui Xin Sheng and the independent non-executive Directors) for the time being of the Company as a bonus for the relevant year; and
- (c) a sum equivalent to 5% of the amount in excess of the Target Profit will be payable as bonus to all the employees (including supervisors, but excluding the Directors and the independent supervisors) of the Company and its subsidiaries (if any) from time to time, the basis of apportionment of which will be determined by the Board at its discretion.

There was no profit-based incentive bonus for the year ended 31 December 2025 and 2024.

SIGNIFICANT INVESTMENTS

There are no significant investments held by the Group as at 31 December 2025 and 2024.

Capital commitments are set out in Note 33 to the consolidated financial statements. Save for that, the Group has no plans for material investments or capital assets.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE YEAR

There are no material acquisitions and disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2025.

CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group did not have any material contingent liabilities.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Rui Xin Sheng (芮新生), aged 69, is the chairman of the Board, an executive Director and the compliance officer of the Company. He is a researcher and a senior engineer of the Company. He was one of the founders of the Company in December 1992. He is also the director of Shanghai Life Sci, director and authorised representative of Shanghai Changmao and the director of Changmao (Hong Kong) Company Limited. Mr. Rui graduated from Jiangsu Institute of Technology (江蘇化工學院) with a bachelor degree in organic synthesis in 1982. He obtained an executive master of business administration in the Nanjing University (南京大學) in 2005. He is the vice chairman of the Committee of Biochemical Engineering of the Chemical Industry and Engineering Society of China (中國化工學會生物化工專業委員會), the deputy managing director of the Association of Biochemistry of China (中國生物化工協會), the deputy managing director of Jiangsu Commission of Biotechnology (江蘇省生物技術協會) and a part-time professor at the Nanjing University of Technology (南京工業大學). Owing to his significant achievement in the field of biochemistry, Mr. Rui received numerous awards including the First Class Award of Scientific Development and Technology Improvement in Changzhou (常州市技術改造一等獎) and the Second Prize of Changzhou City Scientific and Technological Achievement (常州市科技進步二等獎) in 1997. The Concurrent Production Technology invented by Mr. Rui, Ms. Leng Yi Xin and Mr. Jiang Jun Jie obtained patent in the PRC in 1998. Other awards obtained by Mr. Rui include the Fourth Annual Excellent Scientists of Changzhou City (常州市第四屆傑出科技人員) in 1999, DuPont Innovation Award and Youth Expert with Excellent Contribution in Jiangsu Province (江蘇省有突出貢獻的中青年專家) in 2000, the First Class Award of State Technological Achievement (國家科技進步一等獎) in 2001, Innovative Entrepreneur of Jiangsu Province (江蘇省創新創業人才獎), the Second Class Award of Petrol Chemical Industry Technological Achievement in the PRC (中國石油化學工業行業科技進步二等獎) in 2003 and the First Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步一等獎) in 2005. Mr. Rui is the spouse of Ms. Leng Yi Xin (a non-executive Director) and father of Ms. Rui Xiao Qian (executive Director).

Mr. Pan Chun (潘春), aged 56, is an executive Director and the general manager (chief executive officer) of the Company. He is also the director and authorised representative of Lianyungang Changmao and Changmao (Dalian) New Material Company Limited. He obtained a bachelor degree in industrial analysis from the department of applied chemistry of the Nanjing University of Technology (南京工業大學) in 1993. Mr. Pan is recognised as a senior engineer by the Jiangsu Provincial Personnel Department (江蘇省人事廳). Mr. Pan is responsible for the management of production, safety, environment protection, equipment management, purchasing and domestic sales of the Company. Mr. Pan received the First Class Award of Changzhou Technological Achievement (常州市技術改造一等獎) in 1997. Mr. Pan received the First Class Award of Technological Invention (技術發明一等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2003, May 1st Labour Medal of Changzhou City (常州市五一勞動獎章) in 2011 and Model Worker of China Light Industry (中國輕工業勞動模範) in 2012. Mr. Pan joined the Company in August 1993.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Executive Directors (Continued)

Ms. Rui Xiao Qian (芮小千), aged 39. Ms. Rui received her bachelor's degree in bioengineering from Nanjing University of Technology in 2008 and her master's degree in biology from Illinois Institute of Technology in 2010. In 2024, she received a Master degree of Business Administration from Washington University in Saint Louis. Ms. Rui worked in the merchandise department of Shanghai Kokubu Trading Co., Ltd. She has been working at Shanghai Changmao Biochemical Engineering Co., Ltd. since 2016 and is currently the general manager of Shanghai Changmao Biochemical Engineering Co., Ltd. (a wholly-owned subsidiary of the Company). Ms. Rui is the daughter of Rui Xin Sheng (Chairman and executive Director) and Ms. Leng Yi Xin (non-executive Director). Ms. Rui was first appointed as an executive Director on June 18, 2025.

Non-executive Directors

Mr. Yu Xiao Ping (虞小平), aged 70, is a non-executive Director. Mr. Yu graduated from East China Normal University (華東師範大學) with a bachelor degree in English in 1977. He holds directorships in various pharmaceutical and investment companies in the PRC. Besides his experience in trading of pharmaceutical products, he has experience in promoting and facilitating the inspection and approval from the U.S. Food and Drug Administration for various PRC pharmaceutical products, of which he became the executive agent for these pharmaceutical products and has established a trading business in the United States of America. Mr. Yu joined the Company in December 1992.

Ms. Leng Yi Xin (冷一欣), aged 64, is a non-executive Director. She graduated from the Jiangsu Institute of Technology (江蘇化工學院) with a bachelor degree in organic synthesis in 1982 and subsequently obtained a master degree in chemical engineering from Nanjing University of Technology (南京工業大學) in 1996 and obtained a doctorate in bio-chemical engineering from Nanjing University of Technology in 2005. She is also a professor of the department of chemical engineering of the School of Petrochemical Engineering in Changzhou University (常州大學石油化工學院). Ms. Leng has participated in various research projects and published more than 50 theses. As mentioned above, Ms. Leng is one of the inventors of the Concurrent Production Technology. She obtained the Second Class Award of Technological Invention (技術發明二等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2004. She also obtained the First Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步一等獎) in 2005 and the Third Class Award of Jiangsu Province Technological Achievement (江蘇省科學技術進步三等獎) in 2010. She is the spouse of Mr. Rui (the chairman of the Board and an executive Director) and the mother of Ms. Rui Xiao Qian (executive Director). She joined the Company in June 2001.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Non-executive Directors (Continued)

Mr. Lin Ze Yu (林澤宇), formerly known as Lin Ze Yu (林澤郁), aged 35. Mr. Lin has been engaged in investment management for many years and holds a bachelor's degree in business from the University of Hull in the United Kingdom and a master's degree in transportation from the Department of Civil and Environmental Engineering of Imperial College London. He has been an investment manager in Shanghai Science and Technology Venture Capital Co., Ltd. since 2020, responsible for the whole process management before investment, such as developing project resources, conducting research and analysis on projects, and writing reports, as well as post-investment management of the projects in charge. Mr. Lin is a non-independent director of Shanghai Leimu Electronics Co., Ltd. (Shanghai 603633). Mr. Lin was first appointed as an independent non-executive Director on June 18, 2025.

Independent non-executive Directors

Mr. Zhou Zhi Wei (周志偉), aged 71, is an independent non-executive Director. He was formerly the Deputy Director and Chief Engineer of Wuxi Building Materials Science Research Institute (無錫市建築材料科學研究所). He graduated from the current Department of Chemistry, Changzhou University with a Bachelor's degree in 1982. He was an engineer, senior engineer, deputy director, and chief engineer respectively at the Wuxi Building Materials Science Research Institute from 1982 to 1996. He served as Deputy General Manager in Wuxi Dayu Coating New Technology Development Co., Ltd. (大愚塗層新技術開發有限公司) from 1996 to 2012. Mr. Zhou was an independent supervisor of the Company from June 2020 to June 2022. Mr. Zhou was appointed as an independent non-executive Director in June 2022.

Mr. Shu Rong Xin (束榮新), aged 72, is an independent non-executive Director. He is an associate researcher (senior engineer). He graduated from Jiangsu Institute of Chemical Technology with a bachelor degree in 1982, and stayed to work at the school afterwards. He served as the deputy director and director of the General Affairs Department of Jiangsu Institute of Chemical Technology from 1984 to 1992. He served as the director of the Jiangsu Petrochemical Bloodline Party Committee Office and the director of the President's Office from 1992 to 1998. He served as Secretary of the Party Branch of the Chemical Engineering Department of Jiangsu Institute of Technology from 1998 to 2002. He served as Executive Dean of Huaide College (Independent College) of Jiangsu Institute of Technology from 2002 to 2007. He served as the director of the Audit Office and the deputy secretary of the Disciplinary Committee of Changzhou University from 2007 to 2013. Mr. Shu was first appointed as an independent non-executive Director in June 2022.

Ms. Cheng Mun Wah (鄭敏華), aged 64, is an independent non-executive Director. She has over 25 years of experience in the field of corporate finance and accounting in Hong Kong. Ms. Cheng holds a bachelor's degree of commerce from the University of Alberta in Canada. Ms. Cheng is currently a managing director of a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. Cheng is a certified public accountant of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Ms. Cheng was first appointed as an independent non-executive Director in July 2022.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Supervisors nominated by Shareholders

Ms. Rui Li Qin (芮麗琴), aged 51, is a Supervisor. She holds a bachelor's degree and is an engineer. She graduated from Changzhou Chemical School in 1994, majoring in basic organic chemical engineering. She graduated from Changzhou Staff University in 2006, majoring in computer information management. She graduated from Changzhou University in 2015, majoring in pharmaceutical engineering. She served as a technician of the Company from August 1994 to September 2000. Since October 2000, she had served as the team leader and deputy department chief of quality control, chief of technical quality inspection department, manager representative, vice chairman of the labor union, and medicine quality authoriser of the Company. She has been the head of the technical quality inspection department of the Company from April 2012 to present. She has been the medicine quality authoriser of the Company and the vice chairman of the Company's labor union since 2016. Ms. Rui was first appointed as a Supervisor in June 2022.

Ms. Zhou Rui Juan (周瑞娟), aged 71, is a Supervisor. She is also the supervisor of Shanghai Changmao. She graduated from Changzhou Light Industrial School (常州輕工學校) majoring in corporate management in 1988. Ms. Zhou passed the State Examination for Assistant Accountant in 1997. She was a financial accountant, the vice manager of the labour department and the director of the administrative department of the Company. Ms. Zhou was recognised as an activist of the Company's labour union (工會積極份子) and an advanced worker (先進生產者) of the Company. She joined the Company in January 1993.

Supervisor nominated by employees

Mr. Zhang Jun Peng (張俊朋), aged 52, is a Supervisor and the chief officer of the concurrent production line of the Company and an engineer. He graduated from Jiangsu Institute of Petrochemical Technology (江蘇石油化工學院) in 1997 with a bachelor degree in chemical engineering. He was engaged in the continuous improvement and innovation of four-carbon series organic acid and obtained the Second Class Award of Process Innovation & Technological Invention (創新工藝技術發明二等獎) from China Petroleum and Chemical Industry Association (中國石油和化學工業協會) in 2004. Mr. Zhang was involved in various projects of the Company in respect of the improvement of production technology and is experienced in the production management of the Company. The concurrent production line led by Mr. Zhang won the championship of "the Cup of Safety and Health" ("安康杯"競賽優勝班組) in China in 2012 from the All-China Federation of Trade Unions (中華全國總工會) and the State Administration of Work Safety of the PRC (國家安全生產監督管理總局). He joined the Company in August 1997.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Pan Chun (潘春), whose personal particulars are set out under the paragraph headed “Directors” in this section.

Mr. Wan Yi Dong (萬屹東), aged 52, is the deputy general manager of the Company. Mr. Wan is a senior engineer certified by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳(省人社廳)認定的高級工程師). He graduated from Zhejiang University in 1996 with a bachelor degree in biochemistry. In 2004, he obtained a master degree in business administration from Nanjing University of Science and Technology. He joined the Company in August 1996. He was engaged in the technology advancement of bio-enzyme and immobilised enzyme technology and has been involved in various projects of the Company in respect of improvement in production technology and new technology on new products. Mr. Wan has published various professional articles in professional chemical magazines. He obtained various awards including the 常州市科技進步一等獎 (The First Class Award of Changzhou City Technological Achievement) in 2001 and 中國石油和化學工業協會科技進步二等獎 (The Second Class Award of Petrol Chemical Industry Technological Achievement in the PRC) in 2003. Mr. Wan joined the Company in August 1996.

Ms. Zhang Qin Ying (張琴英), aged 57, is the deputy general manager and financial controller of the Company. She is also the supervisor of Lianyungang Changmao. She is a senior economist. She studied in Finance School of Changzhou (常州財經學校), specializing in financial management in 1999. She has also studied in The Chinese Communist Party School of Jiangsu Province in 2007, specializing in economic management. She has years of strong management experience in finance and labour union. She also serves as the chairman of the Union of Chemical Industry of Changzhou (常州市化工行業工會) and vice-chairman of the Union of Chemical and Light Industry in Changzhou (化輕產業工會). Ms. Zhang joined the Company in September 1993.

Mr. Huang Huai Zhi (黃淮幟), aged 40, is the secretary of the Board. Mr. Huang graduated from East China University of Political Science and Law in 2008 and worked in Jingtian & Gongcheng (Beijing) Attorneys At Law (競天公誠律師事務所) from 2008 to 2013. From 2015 to 2017, he served as the president of Shenzhen Qianhai Tongde Financial Services Co., Ltd (深圳前海同德金融服務有限公司). Mr. Huang joined the company in October 2017.

Save as disclosed above, each of the Directors or Supervisors does not have any relationship with any directors, supervisors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company (within the meaning of the Listing Rules).

CORPORATE GOVERNANCE REPORT

The Company is committed to the maintaining of a high standard of corporate governance. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties set out in Appendix C1 of the Listing Rules.

The Company has complied with the code provisions of Corporate Governance Code as set out in part 2 of Appendix C1 to the Listing Rules during the year ended 31 December 2025.

The Company's corporate governance structure includes the Board and the Supervisory Committee. The Company has also established three committees under the Board, namely the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee. The corporate governance practices adopted by the Company are as follows:

THE BOARD

The major responsibilities of the Board include the formation of the Group's overall strategies, setting the business plans and the supervision of the performance of the management. The Board acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board is also responsible for preparing a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

As at 31 December 2025, the Board comprises three executive Directors, namely, Mr. Rui Xin Sheng (Chairman), Mr. Pan Chun (General Manager) and Ms. Rui Xiao Qian, three non-executive Directors, namely, Mr. Yu Xiao Ping, Ms. Leng Yi Xin and Mr. Lin Ze Yu and three independent non-executive Directors, namely, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin and Ms. Cheng Mun Wah.

The roles of the chairman and chief executive (i.e. general manager) of the Company are separate and exercised by different individuals.

CORPORATE GOVERNANCE REPORT

The Board meets regularly, and had met 4 times for the year ended 31 December 2025. Attendance of individual members of the Board meeting for the year ended 31 December 2025 is as follows:

	Name of Director	Attended/ Eligible to attend
Executive Directors	Mr. Rui Xin Sheng (<i>Chairman</i>)	4/4
	Mr. Pan Chun (<i>General Manager</i>)	4/4
	Ms. Rui Xiao Qian	3/3
	<i>(appointed on 18 June 2025)</i>	
Non-executive Directors	Mr. Yu Xiao Ping	4/4
	Ms. Leng Yi Xin	4/4
	Mr. Lin Ze Yu	3/3
	<i>(appointed on 18 June 2025)</i>	
	Mr. Zeng Xian Biao	1/1
	<i>(retired on 17 June 2025)</i>	
Independent Non-executive Directors	Mr. Wang Jian Ping	1/1
	<i>(retired on 17 June 2025)</i>	
	Mr. Zhou Zhi Wei	4/4
	Mr. Shu Rong Xin	4/4
	Ms. Cheng Mun Wah	4/4

Save that Ms. Leng Yi Xin is the wife of Mr. Rui Xin Sheng, Ms Rui Xiao Qian is the daughter of Mr. Rui Xin Sheng and Ms. Leng Yi Xin, each of the Directors is independent of the other Directors.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors.

The Company had also made specific enquiry of all Directors in relation to the compliance of the Model Code. Save for the above, the Company was not aware of any non-compliance with the Model Code for the year ended 31 December 2025.

Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the independent non-executive Directors remained independent.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development

Directors' training is an ongoing process. During the year, Directors received regular updates and presentations on changes and developments to the Group's business and to environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. All Directors are required to provide the Company with his or her annual training record.

The Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

	Directors	Types of training
Executive Directors	Mr. Rui Xin Sheng	A, B
	Mr. Pan Chun	A, B
	Ms. Rui Xiao Qian	A, B
Non-executive Directors	Mr. Yu Xiao Ping	A, B
	Ms. Leng Yi Xin	A, B
	Mr. Lin Ze Yu	A, B
Independent non-executive Directors	Mr. Zhou Zhi Wei	A, B
	Mr. Shu Rong Xin	A, B
	Ms. Cheng Mun Wah	A, B

A: attending seminars provided by external parties

B: reading materials in relation to regulatory update

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee was established to ensure there are formal and transparent procedures for developing and overseeing the Company's policies on the remuneration of its directors and senior management. As at 31 December 2025, the Remuneration and Appraisal Committee comprises three independent non-executive Directors, namely, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin (chairman of the committee), Ms. Cheng Mun Wah and an executive Director, Mr. Rui Xin Sheng. The Remuneration and Appraisal Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration and Appraisal Committee held one meeting in 2025 among others, to review the remuneration packages of individual executive Directors and senior management, assess the performance of the executive Directors and review the policy for the remuneration of the Directors and how the Group complied with the staff incentive bonus scheme as stated below. The meeting attendance rate of individual members for the year ended 31 December 2025 was as follows:

Name of committee member	Attended/Eligible to attend
Mr. Rui Xin Sheng	1/1
Mr. Zhou Zhi Wei	1/1
Mr. Shu Rong Xin	1/1
Ms. Cheng Mun Wah	1/1

The remunerations of Directors and senior management are based on the skill, knowledge and involvement in the Company's affairs of each Director or senior management and are also determined with reference to the performance and profitability of the Group. The Company has formulated a staff incentive bonus scheme. Details of which are set out in the paragraph headed "Employees" under the section headed "Management Discussion and Analysis".

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. As at 31 December 2025, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Zhou Zhi Wei, Mr. Shu Rong Xin and Ms. Cheng Mun Wah (chairman of the committee).

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process and internal control system of the Group, to review the Group's financial information and to review the audit plan, audit findings and independence of the auditors of the Company. The Audit Committee held 4 meetings for the year ended 31 December 2025, two of which were with the attendance of the external auditor. The meeting attendance rate of individual members for the year ended 31 December 2025 was as follows:

Name of committee member	Attended/Eligible to attend
Mr. Zhou Zhi Wei	4/4
Mr. Shu Rong Xin	4/4
Ms. Cheng Mun Wah	4/4

Duties performed by the Audit Committee for the year were as follows:

1. made recommendations to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
2. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussed with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. reviewed the Group's financial information, monitored the integrity of the Group's financial statements and the annual report and accounts and half-year report and reviewed significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee had focused particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit (if any);
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
 - (vii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts;

CORPORATE GOVERNANCE REPORT

4. reviewed the Group's financial controls and internal controls, among others, by discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system; reviewed the Group's financial and accounting policies and practices; and reported to the Board on the matters in the CG Code.

Nomination Committee

The Nomination Committee was established to formulate and implement the nomination policy and Board Diversity Policy, nominate candidates of Directors for election by shareholders and to assess the independence of independent non-executive Directors. As at 31 December 2025, the Nomination Committee comprises three independent non-executive Directors, namely, Mr. Zhou Zhi Wei (chairman of the committee), Mr. Shu Rong Xin and Ms. Cheng Mun Wah and an executive Director, Mr. Rui Xin Sheng.

The Nomination Committee held two meetings in 2025 to review the structure, size and composition of the Board and to assess the independence of independent non-executive Directors. The meeting attendance rate of individual members for the year ended 31 December 2025 was as follows:

Name of committee member	Attended/Eligible to attend
Mr. Rui Xin Sheng	2/2
Mr. Zhou Zhi Wei	2/2
Mr. Shu Rong Xin	2/2
Ms. Cheng Mun Wah	2/2

POLICY FOR NOMINATION OF DIRECTORS

Procedures for Nomination and Appointments of Directors

Appointments of Directors, being individuals who are suitably qualified and expected to make positive contributions to the performance of the Board. Candidates are first considered by the Nomination Committee and then by the Board. Thereafter, all Directors are subject to election by shareholders at the shareholders' general meeting. A Director may serve consecutive terms if re-elected upon the expiration of the terms.

CORPORATE GOVERNANCE REPORT

Nomination of Candidates for Re-election of Directors

The nominations shall be made in accordance with the Nomination Policy and the objective criteria (including but not limited to skills, regional and industry experience, background, race, gender and length of service), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. The Nomination Committee shall also take into account the performance evaluation for the past years for all the existing Directors who offer themselves for re-election.

Each of Mr. Rui Xin Sheng and Mr. Pan Chun has entered into a service contract with the Company. All the other Directors have not entered into any service contract with the Company. The terms of each Director is not more than three years and will be expired on 17 June 2028.

Board Diversity Policy

The Group has adopted a board diversity policy (the “Board Diversity Policy”). A summary, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

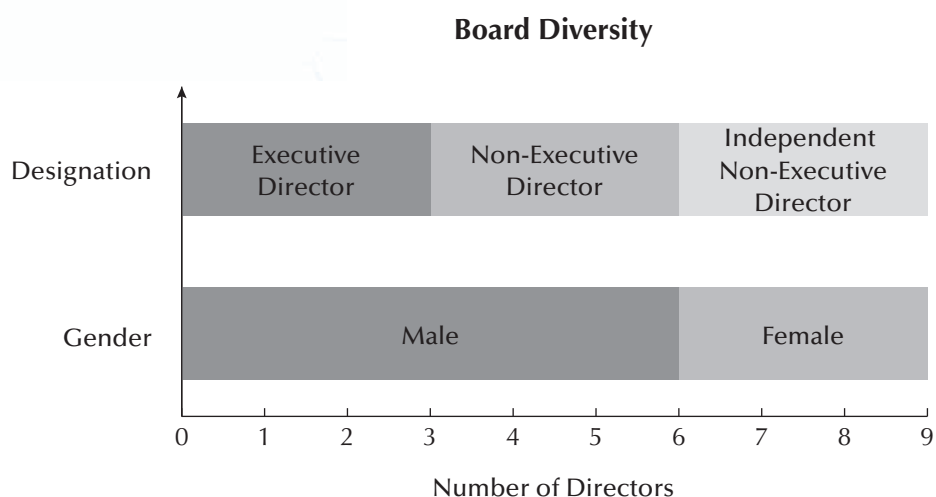
Summary of the Board Diversity Policy and Measurable Objectives

The Company recognises and embraces the benefits of diversity in the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In performing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually. As at the date of this report, the Board's composition under major diversified perspectives was summarized as follows:



THE SUPERVISORY COMMITTEE

The supervisory committee is accountable to the general meeting. The primary responsibilities of the supervisory committee include the monitoring of whether the Directors and senior management have, in the performance of their duties, acted in contravention of any laws, administrative regulations, the Articles of Association of the Company or the resolutions passed at general meetings; and the reviewing of the Company's financial information. Supervisors can attend the Board meetings.

As at 31 December 2025, the supervisory committee comprises two Supervisors nominated by shareholders, Ms. Rui Li Qin and Ms. Zhou Rui Juan, and a Supervisor nominated by employees, Mr. Zhang Jun Peng. No Supervisor has entered into any supervisor's service contract with the Company. The term of each Supervisor is not more than three years and will be expired on 17 June 2028.

The supervisory committee held 2 meetings for the year ended 31 December 2025 with attendance rate of 100%.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Wan, Pui Ling Alice (温珮玲) (CPA), is the company secretary of the Company. She is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Wan joined the Company in June 2001. The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, with shareholders and management. She reports to the Board Chairman and the general manager of the Company. The Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2025, which give a true and fair view of the state of affairs of the Group at that date and of the Group's profit and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 68 to 75.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. In 2025, the management have provided a confirmation to the Board on the effectiveness of such systems. The Board also reviewed the Group's risk management and internal control systems, which the Board considers to be adequate and effective in 2025. The level of resources, staff qualifications and experience, training programs and budget of the Company's internal audit and accounting and financial reporting functions were assessed and considered adequate.

CORPORATE GOVERNANCE REPORT

A risk management committee has been established to ensure that significant risks are identified; assessed by considering the impacts and likelihoods of their occurrence; and effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed. With the assistance of the committee, the Board continuously monitors the company's risk management framework, reviews the Group's significant risks and emerging risks, and conducts an annual review of the effectiveness of the risk management system. The Board determines the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of a risk register setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. It ensures that significant risks are considered by the Board in determining their risk appetite.

A risk management policy has been adopted to serve as a guideline for risk management and internal control systems.

Internal audit

Internal control system shall allow monitoring of the Company's overall financial position; safeguard its assets against major losses and misappropriation; provide reasonable assurance against material fraud and errors; and efficiently monitor and correct non-compliances.

The Company has set up an internal audit department to perform ongoing internal audits to evaluate the proper functioning of the internal control systems of the Group. The Audit Committee, after reviewing and considering the management findings from the internal control review, then reported to the Board and confirmed to the Board that the internal control systems are effective and adequate.

CORPORATE GOVERNANCE REPORT

Inside Information Policy

The Board approved and adopted an Inside Information Policy which contains the guidelines to the Directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling of inside information within the Group.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers have been re-appointed as the Company's international external auditor by the shareholders annual general meeting held in 2025. They are primarily responsible for providing audit services in connection with the Company's annual financial statements.

During the year, the remuneration to the external auditor was as follows:

	2025 RMB'000	2024 RMB'000
Auditor's remuneration		
– Audit services	1,604	1,368
– Non-audit services	47	47

DIVIDEND POLICY

The Company's policy is to provide dividends to shareholders which is linked to the underlying performance of business. The Board considers that it would be prudent and appropriate to target a pay-out ratio of 30% to 70% per cent of the Group's consolidated net profit attributable to the equity holders of the Company. The actual dividend pay-out ratio, however, may cause some deviation from the target, depending on the cash flows and future funding requirements of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 61 of the Articles of Associations of the Company, shareholder(s) holding 10% or more of the Company's issued capital that carry voting rights request(s) in writing for the convening of an extraordinary general meeting, the Board shall convene an extraordinary general meeting within 2 months.

Procedures for putting forward proposals at shareholders' meeting

Pursuant to Article 63 of the Articles and Associations of the Company, when the Company convenes a shareholders' annual general meeting, shareholder(s) holding 3% or more of the total shares carrying voting rights of the Company are entitled to propose new matters in writing to be considered, and the Company shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the general meeting provided that the proposal is delivered to the Company within 10 working days prior to the date of the general meeting.

Procedures for nominating a new Director

Pursuant to Article 97 of the Articles and Associations of the Company, a notice of the intention to propose a person for election as Director and the written notice by such candidate of his/her willingness to accept the nomination shall be given to the Company no less than seven days. The minimum seven-day period of lodgement by the shareholders of notice to nominate a Director shall commence no earlier than the date after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.

Communications with Shareholders

The Board always welcome Shareholders' and other stakeholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Room 54, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong.

Articles of Association

There was no change to the articles in the Articles of Association of the Company in 2025.

By order of the Board

Rui Xin Sheng
Chairman

The PRC, 30 March 2026

ENVIRONMENTAL AND SOCIAL REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board is well aware of the importance of environmental protection to the Group's sustainability and stable development, and at the same time strives to improve product quality while achieving the best balance between cost control and environmental protection. The Group has established an environmental management system based on the actual situation and its factory in Changzhou obtained ISO14001 certification. The Group aims to be a resource-saving and environment-friendly enterprise with low energy and resources consumption and low level of discharge on wastages. The Group promotes clean production, prevents pollution and reduces the risk of environmental accidents. The Group's environment protection department dedicates to strengthen its environmental protection, actively implements environmental policies, vigorously carries out environmental management, and takes energy-saving measures to achieve reduction on pollution. At the same time, the Group also has a full-time environmental protection workshop to treat the wastewater of each production line in a centralised manner and discharges it into the sewage treatment company of the industrial area. In addition, the environmental protection department conducts centralised management and treatment of solid waste and hazardous waste in the production lines, and the production tail gas is collected and put into spray adsorption tower for incineration treatment. Therefore, the Group's business activities have no significant impact on the environment and natural resources.

The Group understands that a global transition to a low-carbon economy is necessary to tackle climate change and create a more sustainable future. In order to cope with the challenges posed by climate change and enhancing its internal driving force for sustainable development, the Group regards energy conservation, emission reduction, low-carbon development and environmental protection as long-term development strategies, and actively promotes and continues to explore and innovate. In order to cope with climate change, the government's requirements for environmental protection and emission indicators have continued to stricken. The Group increased investment in environmental protection, coordinated and organised various departments to actively implement various upgrading and rectification work, and the production site environment was significantly improved. The Group remains steadfast on the path of ecological priority and green development, further enhancing resource efficiency and promoting energy conservation and emissions reduction, while contributing to the achievement of the dual carbon targets and fostering a circular economy to drive high-quality corporate development through a high-standard ecological environment. We are committed to strict compliance with environmental laws and regulations, upholding the philosophy of green development and focusing on full life cycle management of our products. By leveraging digitalisation and intelligent technologies to improve energy efficiency and reduce consumption, we are building a green supply chain and advancing a circular economy. Staying true to the principles of sustainable development and long-termism, we strive for excellence in environmental performance and to promote the high-quality development of the Group.

ENVIRONMENTAL AND SOCIAL REPORT

All of the Group's production is conducted in Mainland China. The Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. Some of these regulations govern the level of fees payable to entities providing environmental protection services and the prescribed standards relating to the discharge of solid wastes, effluent and gases. The Group benefits from specific production technology that enables the Group to effectively control the pollution caused by the production process. At the same time, the Group has installed waste disposal facilities to reduce waste discharge. The Group was not aware of any material violations of the laws and regulations on environmental protection in 2025.

In 2025 and 2024, the Group's production was carried out in the production plants in Changzhou, Lianyungang and Dalian. The following discussions and information on the environment include information of the Group's production plants in Changzhou, Lianyungang and Dalian. The Group uses butane to produce maleic anhydride. Greenhouse gas emissions are much less compared to traditional method of production.

I. Waste Emissions

As the Group is mainly engaged in production, the following discussion on emissions is mainly related to the emissions from production.

The non-hazardous wastes are mainly handed over to other enterprises for comprehensive utilisation. Hazardous wastes are mainly handed over to waste disposal companies for subsequent treatment.

The Group employs independent environmental monitoring companies to measure sewage water quality and noise emissions annually for its plants. The emissions in 2025 are within the limits set by the national standards.

Key Performance Indicators

	2025	2024
Amount of waste water in total (in tonnes)	456,643	397,666
Amount of waste water – Per unit of output (in tonnes/tonne)	8.39	6.57
Exhaust gas in total (in tonnes)	10	22
Exhaust gas – Per unit of output (in tonnes/tonne)	0.00	0.00
Hazardous waste produced in total (in tonnes)	58.3	169
Hazardous waste produced – Per unit of output (in tonnes/tonne)	0.01	0.00
Non-hazardous waste produced in total (in tonnes)	1,697	2,610
Non-hazardous waste produced – Per unit of output (in tonnes/tonne)	0.03	0.04

ENVIRONMENTAL AND SOCIAL REPORT

II. Use of Resources

The Group is committed to reducing energy consumption. The Changzhou factory of the Group attained ISO50001 Energy Management System Accreditation. In the production process, the Group needs to use energy, including water, electricity and steam.

(1) Water

The Changzhou plant of the Group is accredited as a water-saving enterprise in Changzhou City. The Group adopted the municipal policies and plans to use water efficiently and save water usage. The Group clearly understood these directions and adopted effective measures. The Group improved the production equipment, used water-saving technology to achieve the rational use of water resources, the Group has effectively controlled the discharge of recycled water, backwashed water for centralised reuse to achieve water-saving effect.

The Changzhou plant of the Group has passed the assessment and obtained “Water Balance Test Certificate (水量平衡測試合格證)” which indicated that the Group’s water consumption level is reasonable. The Group uses water from local water companies and there is no any issue in sourcing water.

(2) Electricity

The Group has effectively used of power resources. The power supply bureau adopts the policy of “top, peak, valley and flat” charging policy, that is, different charges in different periods. Unit charge is the highest in the ‘top period’, and lowest at the ‘valley period’. The Group actively cooperated with the relevant policies to raise the proportion of electricity consumption in the ‘valley and flat period’ to reduce the production costs.

(3) Steam

There are two sources of steam, one is purchase from third parties and the other is recovery and recycling of steam generated during the production process. Recycling of steam helps to reduce energy consumption and production costs. In terms of reducing energy consumption, the Group uses recycled steam to drive turbine to drive ventilator in production, reducing costs and increasing efficiency while achieving energy conservation and environmental protection. The maleic anhydride production line designed by the Group can generate steam during the production process. It is more than enough to recycle for its own use, there will be excess steam for selling to the nearby factory. It helps both to reduce steam emissions, and will also bring economic benefits to the Group.

ENVIRONMENTAL AND SOCIAL REPORT

(4) Packaging materials

There are different types of packaging materials. Packaging materials only accounted for a very small portion of production costs. In 2025, packaging materials only accounted for less than 4% of the cost of production.

Key Performance Indicators

	2025	2024
Electricity consumption in total (in kwh)	54.7 million	71.1 million
Electricity consumption – Per unit of output (in kwh/tonne)	1,005	1,173
Steam consumption in total (sourcing from outside) (in tonnes)	110,578	114,850
Steam consumption (sourcing from outside) – Per unit of output (in tonnes/tonne)	2.03	1.9
Water consumption in total (in tonnes)	546,806	603,221
Water consumption – Per unit of output (in tonnes/tonne)	10.05	9.96

CLIMATE RESPONSE

The Group regards addressing responses to climate change as a vital strategy for sustainable development. The Board is the highest decision-making body for climate change matters, responsible for approving the Group's response to climate change strategies, goals, and related annual reporting. The Environmental Management Committee of the Group oversees the management and supervisory functions related to climate issues. This committee will formulate medium- to long-term development plans and strategies, provide recommendations and insights, regularly discuss climate change matters, monitor climate risks, and track the Group's progress on climate change responses and attainment of climate targets. Each management function has been integrated into the carbon management system, with clearly defined responsibilities and enhanced collaboration to achieve comprehensive coverage of carbon management across all levels and processes. The Group identifies and assesses climate-related risks and opportunities in its business operations every two years, analyses their impact on the Group's operations, and actively takes response measures.

The Company has developed the "Climate Change Response Policy" and the "Special Emergency Plan for Extreme Weather Disasters", which analyse potential scenarios stemming from extreme weather and outline emergency response procedures and handling measures.

The Group follows the national "dual carbon" policy and scientific guiding principles to formulate and implement short-term and medium to long term carbon emission and energy management goals, establishing specific improvement indicators for carbon emission intensity, renewable energy usage, energy conservation and reduction, and waste minimisation.

The Group's Changzhou and Dalian factories have each obtained ISO 14001 environmental management system certification. The Changzhou factory has also received ISO50001 energy management system certification and has been designated as a Green Factory in Jiangsu Province.

ENVIRONMENTAL AND SOCIAL REPORT

Climate-related risks and opportunities

We identify climate-related risks and opportunities, examine their impact on the Group's business model and value chain, and assess potential financial and non-financial implications (if applicable). In our analysis, the Group focuses on physical and transition risks and opportunities, referencing climate scenarios from the Intergovernmental Panel on Climate Change (IPCC), including climate and transition pathway projections from external research institutions such as RCP4.5 and RCP8.5. Based on these pathway projections, we assess the potential impacts of these risks and opportunities on the Group at different points in time. The following is a list of climate-related risks and opportunities that may affect the Group's business.

Physical risk

The physical risks of climate change refer to the risks arising from extreme weather, natural disasters, or changes in the physical environment associated with climate change.

Climate disaster	Potential impact	Impact period	Mitigation measures	Risk level
The frequency and severity of extreme weather.	This may result in revenue loss, increased operating costs, and higher equipment depreciation due to limited operational capabilities. It may also threaten the safety of employees working at that location.	short-term, medium-term, and long-term	A "Special Emergency Plan for Extreme Weather Disasters" has been established, and emergency drills are conducted annually.	medium
Flooding/sea level rise	Mechanical damage caused by flooding requires additional repair costs and reduces the operational capacity of assets; if operations are suspended, it will result in revenue loss; water resources contaminated by flooding lead to freshwater shortages, resulting in decreased productivity.	medium-term, and long-term	Enhance the emergency duty monitoring and inspections, focusing on monitoring the water level of the Xinguang North River. Strengthen communication with the drainage station to stay updated on the operation of the drainage pumps. Improve the maintenance and upkeep of flood prevention emergency relief supplies.	medium

ENVIRONMENTAL AND SOCIAL REPORT

Climate disaster	Potential impact	Impact period	Mitigation measures	Risk level
Typhoon	Buildings, products, equipment, and vehicles suffer damage from strong winds and heavy rains associated with typhoons, leading to additional repair costs and reduced operational capacity of assets; mechanical damage caused by strong winds and heavy rains during a typhoon requires extra repair expenses; the potential risk of heavy rain or flooding connected with typhoons may result in river flooding; operations may be suspended due to typhoons, causing revenue loss; strong winds severely impact the supply chain and threaten the health and safety of personnel, resulting in asset downtime and revenue loss.	short-term, medium-term, and long-term	Enhance inspections to prevent accidents caused by strong winds. Timely emergency preparation is necessary to minimise outdoor operations; implement response measures in case of emergencies, and strengthen emergency duty monitoring and patrol inspections.	medium
Heatwave	High-temperature weather may affect transportation conditions, leading to delays in the delivery of raw materials and products. To maintain an appropriate temperature in the production environment, the energy consumption of air conditioning and cooling systems will significantly increase, resulting in higher operational costs.	medium-term, and long-term	Implement emergency measures for safety incidents. Implement emergency handling for equipment malfunctions, including cooling, operating at low loads, and quickly organising repairs to restore operation.	medium

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Climate disaster	Potential impact	Impact period	Mitigation measures	Risk level
Water resource pressure	Unstable water supply causes water-consuming facilities to suspend operations, leading to revenue loss. Additionally, the unstable supply of water affects the cooling systems, reducing production capacity. If there is competition for water resources or it leads to social and political conflicts, it can have a continued negative impact on the business.	long-term	Submit the Annual Water Usage Plan to the Water Resources Bureau each year.	Low

Short-term: real-time and not exceeding 5 years; Medium-term: 5 to 10 years; Long-term: more than 10 years

Transformation risk

Climate transition risks are the risks arising from policy shifts, technological innovations, changes in market sentiment and preferences, and alterations in business models during the process of addressing climate change and transitioning to a sustainable economy.

Transition risk	Description	Impact period	Response measures	Risk level
Policy and legal risk	New policies may strengthen emission requirements, impose mandatory regulations on existing products leading to early scrapping of existing assets, and increase environmental protection expenditures.	short-term, medium-term, and long-term	Timely collect relevant information and fully implement the national laws, regulations, and policy requirements related to addressing climate change.	High

ENVIRONMENTAL AND SOCIAL REPORT

Transition risk	Description	Impact period	Response measures	Risk level
The demand for low-carbon products and services from customers is increasing	The rising demand for low-carbon products in society will apply pressure on the supply chain, influencing downstream manufacturers to prefer raw materials with a lower carbon footprint, thus affecting the Group's market performance.	medium-term, and long-term	Implement product carbon footprint and greenhouse gas emissions monitoring, and reduce carbon emissions through carbon reduction measures.	Low
Insufficient supply of petrochemical products	As the energy supply crisis resulting from adjustments in energy structures across different regions becomes increasingly severe, the supply of petrochemical products will subsequently decrease. The primary raw material for the Group's products is petrochemical n-butane, and the supply and price of butane will affect the Company's revenues.	medium-term, and long-term	Expand supply channels, establish a directory of enterprises with green processes, and create a green low-carbon supply chain.	Low

ENVIRONMENTAL AND SOCIAL REPORT

Transition risk	Description	Impact period	Response measures	Risk level
<p>Uncertainty of electricity prices</p>	<p>The fluctuations caused by electricity market reforms and adjustments to the energy structure will lead to uncertainty in electricity prices. The main source is purchasing electricity from the grid where the assets are located. Adjustments in electricity trading methods and price fluctuations will affect operating costs.</p>	<p>short-term</p>	<p>The Group will continue to pay attention to the development of national and local electricity trading markets, actively understand and participate in electricity and clean energy trading activities, and support the national carbon peaking and carbon neutrality policies through practical actions. By utilising green, low-carbon, and energy-efficient production processes and energy consumption levels, the Group aims to achieve long-term benefits in a market-oriented operation.</p>	<p>Low</p>
<p>Research and development and investment in low-carbon transition technologies</p>	<p>Technological lag may lead to being behind industry competitors, thereby affecting market share.</p>	<p>medium-term</p>	<p>Conduct research on various low-carbon technologies through feasibility studies and cost-benefit analyses, increase capital investment in 'carbon neutrality' initiatives and technology development, and focus on core industrial energy-saving technologies and negative emissions technologies.</p>	<p>Low</p>

Short-term: real-time and not exceeding 5 years; Medium-term: 5 to 10 years; Long-term: over 10 years

ENVIRONMENTAL AND SOCIAL REPORT

Opportunity
 Although climate change poses various physical and transition risks to the Group's operations and market, it also presents us with opportunities.

Transition risk	Description	Impact period	Response measures
Using renewable energy	The use of renewable energy (such as distributed photovoltaics and wind power) will help the Group's transition and save energy costs, resulting in benefits for the business.	medium-term, and long-term	Actively enhance the energy structure, save equipment costs through proactive transformation, and simultaneously reduce energy costs.
Customers are increasing their demand for low-carbon products and services.	By providing high-quality products, the Group can establish a good brand image, enhance customer loyalty and satisfaction, thereby helping to strengthen market competitiveness.	medium-term, and long-term	By achieving low-carbon transformation and upgrading to meet the market demand for low-carbon products, the Group can enhance its market competitiveness and increase operating revenue.

ENVIRONMENTAL AND SOCIAL REPORT

In response to climate-related risks and opportunities, the Group has established the following measures:

(i) Energy Management

The Group will increase the proportion of renewable energy in the overall electricity consumption, build energy-saving devices to reduce carbon emissions, replace high-carbon fossil fuels such as coal with lower-carbon natural gas to reduce carbon emissions at the source, actively adopt efficient and energy-saving equipment, gradually replacing low-efficiency energy-consuming devices, improve the utilisation rate of waste heat by reusing waste heat from processes and steam condensation, further enhance the energy system by achieving intelligent data collection, analysis, optimisation, and early warning for energy-consuming units, implement information management, improve energy efficiency, and reduce overall energy consumption.

(ii) Supply chain management

The Group is committed to establishing and dynamically update a directory of qualified suppliers and green supply chain enterprises, giving preference to high-quality companies that meet environmental standards and practice low-carbon practices. We implement a sustainable procurement policy that balances multiple responsibilities; incorporate environmental impact, social responsibility, and economic benefits into the decision-making framework. We will create shared value and long-term competitiveness through green procurement, a circular economy model, and long-term strategic partnerships. We will also require suppliers to calculate and disclose the carbon footprint and greenhouse gas emissions of their products, providing data for the Group's product carbon footprint accounting.

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(iii) Environmental management

The Group strictly complies with environmental protection laws and regulations, and consciously fulfills the legal obligations and social responsibilities for environmental protection. We adhere to the concept of green development, strengthen the treatment of wastewater, exhaust gas, and solid waste, achieve greenhouse gas emissions reduction, and continuously improve and enhance measures. We focus on the management of the entire product lifecycle, aiming to save energy and reduce pollution and carbon emissions from the source and throughout the process. Regularly implement clean production audits and develop a circular economy. Actively create green factories and build a green low-carbon supply chain.

(iv) Carbon emissions management

The Group regularly identifies sources of greenhouse gas emissions and immediately assesses new products, technologies, and processes to establish a list of greenhouse gas emission sources. The Group enhances carbon reduction effectiveness through measures such as energy-saving renovations, supply chain management, environmental management, and production process management. Additionally, the Group integrates carbon reduction measures into product design, project construction, raw material procurement, and the entire lifecycle of operations, thereby reducing greenhouse gas emissions during the operational process.

The Group has not yet applied carbon pricing in decision-making and not yet incorporated climate-related considerations into its compensation policy.

Climate resilience

The aforementioned climate-related risks and opportunities may impact the Group's business strategies, operations, and financial planning. We regularly assess the resilience of the Group's strategies and business models in responding to climate-related changes, developments, and uncertainties. The Group will actively promote climate resilience by thoroughly considering local climate conditions and the potential impacts of climate change before initiating new, renovated, or expanded projects. The Group collects relevant information on national laws, regulations, and policy requirements related to climate change and implements in a timely manner. The Group has developed emergency plans related to extreme weather and conducts regular emergency drills. By organising employee training, we aim to raise awareness of climate change among employees and enhance their ability to adapt to climate change. The Group currently does not have plans related to climate transition.

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Greenhouse gas emissions

In order to reduce costs and emissions, the Group is using butane as a major raw material for production. The use of butane to produce maleic anhydride instead of previously using benzene in traditional production method, reduces carbon dioxide emissions. It is cleaner and more environmentally friendly and in line with the international trend of food additive production. The Group's indirect greenhouse gas emissions are mainly from electricity and steam consumption. In order to reduce emissions, the Group is committed to ensuring the efficient operation of the equipment and the implementation of cleaner production. In order to reduce steam consumption, the design of the maleic anhydride production line in the Dalian factory enables the Group to recycle the steam output during the production process. This not only can reduce greenhouse gas emissions, but also reduce production costs.

	2025	2024
Greenhouse gas emissions (Scope 1) (tons)	16,384	21,957
Greenhouse gas emissions (Scope 2) (tons)	59,402	73,304
Carbon recovery ^{(Note(c))} (tons)	(348)	(10,413)
Total greenhouse gas emissions (tons)	75,787	84,848

- (a) The calculations include the Group's three factories. The Group calculates greenhouse gas emissions in accordance with GBT32151.10-2023 "Greenhouse Gas Emission Accounting and Reporting Requirements – Part 10: Chemical Production Enterprises", using national standards for calculation. The baseline data is derived from actual usage data. This standard is a national standard applicable to the calculation and reporting of carbon emissions for chemical production enterprises. This calculation method complies with the relevant requirements of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.
- (b) The Group's indirect greenhouse gas emissions involve emissions generated from the purchased electricity and purchased heat of the three factories. The factors used for the calculations are based on the latest data available to the Group.
- (c) Carbon recovery is generated from the direct greenhouse gas emissions calculated based on the amount of steam sold by the Group.
- (d) The reduction in greenhouse gas emissions and carbon recovery is due to the Group's adjustment of its production plan in 2025, resulting in a decrease in total production.

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SOCIAL

(I) Employment and Labour Practices

The Group strictly complies with the Labour Law of the PRC and other relevant national laws and regulations, adheres to fair, just, and open recruitment and employment policies, and resolutely prohibits the employment and use of child labour. We treat job applicants and employees of different races, ethnicities, nationalities, and genders equitably, and respect the views and thinking styles of every employee. At the same time, by referencing relevant international conventions, we safeguard the legitimate rights and interests of our employees and respect the right of all employees to freedom of association, fostering a diverse and inclusive work environment.

The Group's principle is people-oriented. It continuously improves the working environment and remuneration and provides a broad developmental platform for the employees to display their individual talents. It has resolutely implemented the relevant national and local government laws and regulations in relation to employment. The Group has established a fine social accountability system, covering all aspects of employment regulations and social welfare. The Group provides its staff with a safe working environment by implementing the safety standard management and its headquarter in Changzhou has been accredited as the national "Level 2 Work Safety Standardisation Enterprise" (安全生產標準化二級企業). The Company has also attained the ISO45001 Occupational Health and Safety Management System (職業健康安全管理體系).

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The Group attaches great importance to staff training. The Group provides trainings to staff which are relevant to their duties, including management, regulatory update, environment protection, food safety, team building, etc. The Group also encourages the employees to attend different kinds of college and university courses and trainings to strengthen their academic qualifications which are related to their work duties by providing subsidies to them.

For safety training, all management personnel involved in the production have passed the safety training and assessment of the local government safety production publicity and education centres. The Group's safety director and safety department organise trainings on relevant laws and regulations, safety knowledge, and enterprise management system for the person in charge of safety and head of different production lines each month. The safety department also organises training for staff working in the production lines on safety production and technology operation, techniques on operation of new equipment before commencement of new projects and production with new production technologies.

In terms of employee benefits, the Group provides comprehensive welfare packages to all employees, including but not limited to social insurance, welfare leave, holiday benefits, cultural and sports activities, etc. We actively enrich employees' cultural lives, place great emphasis on their physical and mental health, continuously address the needs of employees facing difficulties, and create a happy and harmonious work atmosphere for our workforce. In addition, pay raise and benefits for employees every year are based on their performance. The Group organised different social activities every year, so that the employees in various positions of different departments of the Group can increase communication and strengthen interaction.

The Group strictly complies with the State Council's regulation on "Provisions on the Prohibition of Using Child Labour" on executing the employment standards, and has established recruitment procedures and measures to ensure that child labour is not employed. All of the Group's employees are Chinese. The Group is not aware of any violation of employment and labour laws and regulations nor any violation of child labour provisions in 2025.

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The followings are key performance indicators in relation to the Group's employment and labour practices:

Key performance indicators

	2025	2024
Employment		
Number of employees (by gender)		
Male	341	392
Female	168	181
Including part-time employees	2	2
Number of employees (by employment type)		
Management	97	67
Production	306	401
Sales	34	32
Research and development	72	73
Number of employees (by age group)		
30 or under	143	182
31-50	291	324
Over 50	75	67
Employee turnover rate (by gender)		
Male	25%	16%
Female	10%	10%
Employee turnover rate (by age group)		
30 or under	26%	21%
31-50	13%	9%
Over 50	34%	19%

ENVIRONMENTAL AND SOCIAL REPORT

Key performance indicators (Continued)

	2025	2024
Health and safety indicators		
Number of work-related fatalities (rate)	Nil	Nil
Lost days due to work injury (rate)	60 days (0.01%)	290 days (0.02%)
Training		
Training expenses	RMB154,000	RMB240,000
Percentage of employees trained (by gender)		
Male	99%	99%
Female	95%	97%
Percentage of employees trained (by employment type)		
Senior management	100%	100%
Middle management	95%	97%
General staff	98%	98%
Percentage of employees trained (Overall)	97%	98%
Average training hours completed per employee (by gender)		
Male	76	74
Female	69	68
Average training hours completed per employee (by employment type)		
Senior management	72	92
Middle management	82	77
General staff	73	72
Average training hours completed per employee (Overall)	74	72

ENVIRONMENTAL AND SOCIAL REPORT

(II) Operating Practices

(1) Supply Chain Management

The Group has more than 100 qualified suppliers. To become qualified suppliers, their samples have to pass the examination, the trial production by the Group and suppliers' assessments. The Group uses as many suppliers as possible that focus on environmental protection. Performance of all suppliers for the previous year would be evaluated by the Group's supply department at the beginning of each year and they can continue as the Group's suppliers after passing the evaluation. The evaluation content includes service, price, quality and safety and environment. Evaluation of new suppliers and subcontractors includes their commitment to social responsibility and performance. The Group has a procurement management system and has developed a series of procurement control procedures for strict selection of suppliers and control the procurement process. Procurement staff regularly visits suppliers to maintain close contacts and good cooperation relations with them, at the same time, the Group will also pay attention to the environmental factors of the suppliers. The vast majority of the Group's suppliers are located in mainland China.

The Group is committed to integrating sustainable development principles into its procurement processes. While pursuing economic benefits, we fully consider environmental and social impacts, identifying, selecting, and procuring products and services that are environmentally friendly and socially beneficial. This drives the sustainable development of our supply chain and contributes to the long-term mutual success of the enterprise and society.

(2) Product Liability

After over 20 years of accumulation, the Group's customers are all over the world. The Group has always focused on maintaining customer relationships. In recent years, the Group has continued to strengthen direct sales to end-users with a closer and long-term customer relation. The Group strictly controls its product safety and quality to maintain quality leadership and ensure customer satisfaction. The Group has met the highest standards in the food safety systems FSSC22000, quality management system ISO9001 and European Feed Additives and Pre-mixtures Quality System (FAMI-QS) certification system. The Group conducts customer satisfaction survey each year to obtain customers' feedback and understand their requirements, as well as serve as an objective assessment to the Group. The Group's customers were satisfied with the Group.

The Group has standard procedures to handle customer complaints. There was no material complaints in 2025. The Group has been focusing on product quality, and continuously improving the process to ensure product quality and strengthen brand management to meet potential complaints and ensure proper quality delivery.

ENVIRONMENTAL AND SOCIAL REPORT

The Group has a trademark management system and business ethics code control procedures, and strictly complies with the laws and regulations for protection of intellectual properties.

The Group has inspection and test control procedures to test the semi-finished products or finished products item by item. Standard procedures are in place to deal with each qualified or non-qualified products. There is a “certificate of analysis” for each finished product to facilitate product traceability. In case a product recall is triggered, the Group initiates a recall procedure, analyses the extent of the food hazard and classifies it, re-examines the products if necessary and makes a recall if needed based on the results of the analysis or examination. The Group would also record the number of products recalled to ensure that unsafe batch of products are fully and promptly recalled and are appropriately processed in accordance with the procedures for handling recalled products. In 2025, the Group has not recalled any sold or shipped products due to safety and health reasons.

The Group also endeavors to ensure the proper use of customer information. The Group has complied with the relevant national laws and regulations and the Group’s internal business ethics control procedures when collecting, processing and using such information in the course of business.

(3) *Anti-corruption*

The Group has anti-corruption control procedures issued to all employees, and has mechanisms for employees to report problems found. The Group has management system and measures on fund management to prevent money laundering. The Group conducts an internal audit of social responsibilities every year to examine whether there are any bribery, extortion or fraud.

There was no significant risk associated with bribery identified in 2025. There was no concluded legal cases regarding corrupt practices brought against the Group or its employees. There were no confirmed incidents of contract termination or non-renewal of contract with business partners due to embezzlement during the year. During the year, the Group did not receive any reports in relation to corruption.

(III) **Society**

In terms of participating in social investment, the Group did not make any charitable donation in 2025. The Group has made donation to the Charity Association in the PRC in 2024.

REPORT OF THE DIRECTORS

The Directors hereby submit their report together with the audited consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are the production and sale of organic acids products. The activities of the subsidiaries are set out in Note 19 to the consolidated financial statements.

An analysis of the Group's revenue for the year by geographic segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 76.

No interim dividend was declared during the year (2024: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

DONATIONS

Charitable and other donations made by the Group during the year were Nil (2024: RMB50,000).

SHARE ISSUED IN THE YEAR

Details of the shares issued by the Company in the year ended 31 December 2025 are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the distributable reserves of the Company were approximately RMB573,129,000 (2024: RMB630,029,000) as reported in the statutory financial statements prepared in accordance with the PRC Generally Accepted Accounting Principles.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC, being the jurisdiction in which the Company was established, which provides the existing shareholders with pre-emptive rights to purchase new shares in any new issue of the Company according to their respective proportion of shareholding.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five years is set out on page 152 of the annual report.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2025.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year were:

Executive Directors

Mr. Rui Xin Sheng (*Chairman*)

Mr. Pan Chun

Ms. Rui Xiao Qian (appointed on 18 June 2025)

Non-executive Directors

Mr. Zeng Xian Biao (retired on 17 June 2025)

Mr. Yu Xiao Ping

Ms. Leng Yi Xin

Mr. Wang Jian Ping (retired on 17 June 2025)

Mr. Lin Ze Yu (appointed on 18 June 2025)

Independent non-executive Directors

Mr. Zhou Zhi Wei

Mr. Shu Rong Xin

Ms. Cheng Mun Wah

Supervisors nominated by shareholders

Ms. Zhou Rui Juan

Ms. Rui Li Qin

Supervisor nominated by employees

Mr. Zhang Jun Peng

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS (Continued)

The terms of each of the Directors and Supervisors will be expired on 17 June 2028. In accordance with Article 97, 116 and 117 of the Company's Articles of Association, Directors and Supervisors nominated by shareholders shall be elected at the shareholders' general meeting for a term of three years. Supervisor who is a representative of employees shall be elected by the employees of the Company for a term of three years. A Director or Supervisor may serve consecutive terms if re-elected upon the expiration of the terms.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of Mr. Rui Xin Sheng and Mr. Pan Chun has entered into a service contract with the Company. All the other Directors and Supervisors have not entered into any service contract with the Company.

Save as above, no Director or Supervisor who is proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director, a Supervisor and a connected party of a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 December 2025, the interests (including interests in shares and short positions) of the Directors, Supervisors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) Section 352 of the SFO to be entered in the register referred to in that section; or (c) Appendix C3 of the Listing Rules relating to securities transactions by Directors; or (d) the Hong Kong Companies Ordinance (Cap. 622), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares:

Capacity		Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares (Note (g))	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (h))	Number of H Shares	Approximate percentage shareholding in the H Shares (Note (i))
Director							
Mr. Rui Xin Sheng	Beneficial owner, interest of spouse and interest of controlled corporation (Note (a))	2,500,000	100%	135,000,000	39.30%	12,236,000	6.66%
Ms. Leng Yi Xin	Beneficial owner, interest of spouse and interest of controlled corporation (Note (b))	2,500,000	100%	135,000,000	39.30%	12,236,000	6.66%
Mr. Pan Chun	(Note (c))	-	-	(Note (c))	(Note (c))	-	-
Mr. Yu Xiao Ping	Interest of spouse and interest of controlled corporation (Note (d))	-	-	66,000,000	19.21%	3,774,000	2.05%

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS (Continued)

Long positions in shares: (Continued)

	Capacity	Number of Domestic Shares	Approximate percentage shareholding in the Domestic Shares (Note (g))	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (h))	Number of H Shares	Approximate percentage shareholding in the H Shares (Note (i))
Supervisor							
Ms. Zhou Rui Juan	(Note (e))	-	-	(Note (e))	(Note (e))	-	-
Mr. Zhang Jun Peng	(Note (f))	-	-	(Note (f))	(Note (f))	-	-

Notes:

- (a) Mr. Rui is the registered holder and beneficial owner of 96,500 Class "A" shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class "A" shares and 100,000 Class "B" shares. Mr. Rui is also the registered holder and beneficial owner of 70% of the registered capital of Changzhou Xinsheng, which is the registered holder and beneficial owner of 2,500,000 Domestic Shares. Mr. Rui is the beneficial owner of 12,184,000 H Shares and Ms. Leng Yi Xin, a Director and spouse of Mr. Rui, is the beneficial owner of 52,000 H Shares. Ms. Leng Yi Xin is also interested in HK Xinsheng and Changzhou Xinsheng, details of which are set out in Note (b) below.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS (Continued)

Long positions in shares: (Continued)

Notes: (Continued)

- (b) Ms. Leng is the registered holder and beneficial owner of 73,500 Class “A” shares and 53,000 Class “B” shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class “A” shares and 100,000 Class “B” shares. Ms. Leng is also the registered holder and beneficial owner of 30% of the registered capital of Changzhou Xinsheng, which is the registered holder and beneficial owner of 2,500,000 Domestic Shares. Ms. Leng is the beneficial owner of 52,000 H Shares and Mr. Rui Xin Sheng (a Director and spouse of Ms. Leng) is the beneficial owner of 12,184,000 H Shares. Mr. Rui is also interested in HK Xinsheng and Changzhou Xinsheng, details of which are set out in Note (a) above.
- (c) Mr. Pan is the registered holder and beneficial owner of 2,000 Class “B” shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class “A” shares and 100,000 Class “B” shares. He is also the registered holder and beneficial owner of 200,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares.
- (d) Mr. Yu and his spouse (who is not a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares. Mr. Yu’s spouse, Ms. Lam Mau, is also the beneficial owner of 3,774,000 H shares.
- (e) Ms. Zhou is the registered holder and beneficial owner of 220,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS (Continued)

Long positions in shares: (Continued)

Notes: (Continued)

- (f) Mr. Zhang is the registered holder and beneficial owner of 800 Class “B” shares in HK Xinsheng, which is the registered holder and beneficial owner of 135,000,000 Foreign Shares. The issued share capital in HK Xinsheng comprises 170,000 Class “A” shares and 100,000 Class “B” shares. Mr. Zhang is also the registered holder and beneficial owner of 120,000 shares in HK Bio, which is the registered holder and beneficial owner of 67,500,000 Foreign Shares. The total number of issued shares in HK Bio is 6,750,000 shares.
- (g) The percentage is calculated based on the 2,500,000 Domestic Shares in issue as at 31 December 2025.
- (h) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 31 December 2025.
- (i) The percentage is calculated based on the 183,700,000 H Shares in issue as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, none of the Directors, Supervisors or chief executives of the Company have interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations (within the meaning of Part XV of the SFO) (including interests in shares and short positions) which were required to notify the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) Section 352 of the SFO to be entered in the register referred to in that section; or (c) Appendix C3 of the Listing Rules relating to securities transactions by Directors; or (d) the Hong Kong Companies Ordinance (Cap. 622) to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year was the Company, its subsidiaries or its other associated corporation a party to any arrangement (including share option scheme) to enable the Directors, Supervisors and chief executives of the Company or any of their spouses or children under eighteen years of age to hold any interests or short position in the shares or underlying shares in or debentures of the Company or its specific undertaking or other associated corporation.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 December 2025, the followings, not being a Director, Supervisor or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were substantial shareholders as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares:

Name of Shareholder	Capacity	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (e))	Number of H Shares	Approximate percentage shareholding in the H Shares (Note (f))
Hong Kong Xinsheng Pioneer Investment Company Limited	Beneficial owner	135,000,000	39.30%	–	–
Hong Kong Bio-chemical Advanced Technology Investment Company Limited	Beneficial owner	67,500,000	19.65%	–	–

REPORT OF THE DIRECTORS

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in shares: (Continued)

Name of Shareholder	Capacity	Number of Foreign Shares	Approximate percentage shareholding in the Foreign Shares (Note (e))	Number of H Shares	Approximate percentage shareholding in the H Shares (Note (f))
Jomo Limited	Beneficial owner	66,000,000	19.21%	–	–
Ms. Lam Mau	Interest of spouse, interest of controlled corporation and beneficial owner	66,000,000 (Note (a))	19.21%	3,774,000 (Note (a))	2.05%
Kehai Venture Capital (Hong Kong) Limited	Beneficial owner	62,500,000	18.20%	–	–
上海科技創業投資股份有限公司 (Shanghai S&T Investment Company Limited*, formerly 上海科技投資股份有限公司)	Interest of controlled corporation	62,500,000 (Note (b))	18.20%	–	–
上海科技創業投資有限公司 (Shanghai Technology Entrepreneur Investment Company*, formerly 上海科技投資公司)	Interest of controlled corporation	62,500,000 (Note (c))	18.20%	–	–
上海科技創業投資(集團)有限公司 (Shanghai S&T Venture Capital (Group) Co., Ltd.*)	Interest of controlled corporation	62,500,000 (Note (d))	18.20%	–	–

REPORT OF THE DIRECTORS

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in shares: (Continued)

Notes:

- (a) Ms. Lam Mau and her spouse, Mr. Yu Xiao Ping (who is a Director) taken together are interested in the entire issued capital of Jomo Limited which is the registered holder and beneficial owner of 66,000,000 Foreign Shares. Ms. Lam Mau is also the beneficial owner of 3,774,000 H shares.
- (b) Shanghai S&T Investment Company Limited is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited, which is the registered holder and beneficial owner of 62,500,000 Foreign Shares.
- (c) Shanghai Technology Entrepreneur Investment Company is the beneficial owner of 62.3% of the issued share capital of Shanghai S&T Investment Company Limited, which is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited. Kehai Venture Capital (Hong Kong) Limited is the registered holder and beneficial owner of 62,500,000 Foreign Shares.
- (d) Shanghai S&T Venture Capital (Group) Co., Ltd is the beneficial owner of 100% of the issued capital of Shanghai Technology Entrepreneur Investment Company. Shanghai Technology Entrepreneur Investment Company is the beneficial owner of 62.3% of the issued capital of Shanghai S&T Investment Company Limited, which is the beneficial owner of 100% of the issued share capital of Kehai Venture Capital (Hong Kong) Limited. Kehai Venture Capital (Hong Kong) Limited is the registered holder and beneficial owner of 62,500,000 Foreign Shares.
- (e) The percentage is calculated based on the 343,500,000 Foreign Shares in issue as at 31 December 2025.
- (f) The percentage is calculated based on the 183,700,000 H Shares in issue as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, the Directors are not aware of any person, not being a Director, Supervisor or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were substantial shareholders as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

EMOLUMENT POLICY

Employees are remunerated in accordance with the nature of the job and also on individual merit.

The emoluments of the Directors and Supervisors are determined by the Remuneration and Appraisal Committee, with reference to their respective contribution of time, effort and expertise on the Company's matters.

The Company has adopted a staff incentive bonus scheme, please refer to the paragraph headed "Employees" under the section headed "Management Discussion and Analysis" for details.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

	2025	2024
– the largest supplier	20%	17%
– five largest suppliers combined	63%	56%

Sales

	2025	2024
– the largest customer	3%	4%
– five largest customers combined	12%	15%

At no time during the year have the Directors, Supervisors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

SHARE CAPITAL STRUCTURE

As at 31 December 2025, the categories of the issued shares of the Company are as follows:

	No. of Shares
H Shares (Note (a))	183,700,000
Domestic Shares (Note (b))	2,500,000
Foreign Shares (Note (c))	343,500,000
	<hr/>
	529,700,000

Notes:

- (a) Overseas listed foreign shares in the capital of the Company, with a RMB-denominated par value of RMB0.10 each, which were credited as fully paid up in a currency other than RMB and are traded in Hong Kong dollars and listed on the Main Board.
- (b) Ordinary shares in the capital of the Company, with a RMB-denominated par value of RMB0.10 each, which were credited as fully paid up in RMB and issued to the promoters of the Company.
- (c) Ordinary shares in the capital of the Company, with a RMB-denominated par value of RMB0.10 each, which were credited as fully paid up in a currency other than RMB and issued to the promoters of the Company.

The H Shares were listed on GEM on 28 June 2002 and the listing of which was transferred from GEM to the Main Board on 28 June 2013.

Although the 到境外上市公司章程必備條款 (the Mandatory Provisions of the Articles of Association of Companies Seeking a Listing Outside the PRC) promulgated on 27 August 1994 by the Securities Commission of the State Council of the PRC and the State Commission for Restructuring the Economic System of the PRC provide for the definitions of “domestic shares”, “foreign shares” and “overseas listed foreign shares” (which definitions have been adopted in the Articles of Association of the Company), the rights attached to Foreign Shares (which are subject to certain restrictions on transfer and may become H Shares upon obtaining the requisite approvals from, among other bodies, the China Securities Regulatory Commission and the Stock Exchange) have not yet been expressly dealt with under the existing PRC laws or regulations. However, the creation by the Company and the subsistence of the Foreign Shares do not contravene any PRC laws or regulations.

REPORT OF THE DIRECTORS

SHARE CAPITAL STRUCTURE (Continued)

At present, there are no applicable PRC laws and regulations governing the rights attached to the Foreign Shares. Jingtian & Gongcheng, the legal adviser to the Company as to PRC Law, have advised the Company that until new laws or regulations are introduced in this respect, holders of Foreign Shares shall have the same rights and obligations as those of the holders of Domestic Shares (in particular, in respect of the right to attend and vote in the general meetings and class meetings and to receive notice of such meetings in the same manner applicable to holders of Domestic Shares), except that holders of Foreign Shares shall enjoy the following rights:

- (a) to receive dividends declared by the Company in foreign currencies;
- (b) in the event of the winding up of the Company, to participate in the distribution of surplus assets (if any) of the Company in foreign currencies and transfer such assets out of PRC, subject however to the applicable foreign exchange control regulations;
- (c) disputes between holders of Domestic Shares and Foreign Shares may upon agreement between them may be resolved by way of arbitration and in case no such agreement is reached, any of the disputing parties could submit the dispute to the courts with competent jurisdiction for determination. These methods of dispute resolution apply equally to disputes between holders of Foreign Shares and overseas listed foreign shares; and
- (d) upon all necessary approvals from the relevant regulatory authorities in the PRC and the Stock Exchange being obtained, the Foreign Shares may be converted into overseas listed foreign shares and shall thereafter carry the same rights and obligations attaching to overseas listed foreign shares.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

RETIREMENT SCHEMES

Details of the retirement schemes are set out in Notes 13 and 38.14 to the consolidated financial statements.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

(a) Business performance and future development

Discussion on the business performance and future development of the Group is set out in the session headed “Chairman’s Statement” in this Annual Report.

Analysis of the key performance indicators of the Group is set out in the session headed “Management Discussion and Analysis” in this Annual Report.

These discussions form part of the “Report of the Directors”.

(b) Environmental policies and performance

Discussions on the environment policies and performance of the Group are set out in the “Environmental and Social Report” in this Annual Report. These discussions form part of the “Report of the Directors”.

(c) Laws and regulations that have a significant impact on the Company

The Group is mainly engaged in the production of organic acids products, which are used as food additives, pharmaceutical adjuvant and active pharmaceutical ingredient, etc. Accordingly, the Group is required to comply with relevant laws and regulations on environmental protection. It is also required to comply with the Law of Work Safety, Food Safety Law, Labour Contract Law and Company Law, etc. in the PRC. The H shares of the Company are listed on the Main Board, therefore the Company also needs to comply with the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group did not aware of any material non-compliance with applicable laws and regulations that have a significant impact on the Group for the year ended 31 December 2025.

(d) Key relationships

Discussions on the relationships with employees, customers and suppliers of the Group are set out in the “Environmental and Social Report” in this Annual Report. These discussions form part of the “Report of the Directors”.

REPORT OF THE DIRECTORS

BUSINESS REVIEW (Continued)

(e) Principal risks and uncertainties

Certain significant risks have been identified through the process of risk identification and assessment. A summary on such significant risks of the Group together with the relevant internal control measures or mitigation in place is listed below:

1. *Research and development*

The Group has two research centres. The Group will invest in research and development to improve existing production technologies and develop new production technologies each year. The Group's future prospects will be dependent upon the successful development and commercialisation of products currently under development. Successful development is, however, uncertain. There is also no assurance that a product can receive market acceptance and is competitive in the market. The Group will take into account the prospect of new markets, sales prices and costs of new products before making decision to invest in research and development to control the relevant risks.

2. *Tax relief*

The Group's net profit mainly comes from the company's production base in Changzhou. The Company, qualified as a New and High Technology Enterprise, is entitled to a preferential CIT rate of 15%. If the Company is failed to renew such qualification, there will be a material impact on the Group's profit. The Company continues to actively co-ordinate different departments on monitoring the compliance of requirements on New and High Technology Enterprise qualification and strives to continue to enjoy the relevant tax relief.

3. *Volatility of prices for raw materials*

The Group's main raw material is butane and maleic anhydride, mainly purchased from Chinese suppliers. The price for butane and maleic anhydride are affected by various factors and the Group does not and will not control over those factors. Those factors include the prices of crude oil, global and regional supply and demand for butane, domestic and foreign government regulations, weather conditions and global economic conditions. Any increase in the price of raw materials which cannot be passed on to the Group's customers may adversely affect the Group's business and results of operations.

4. *Competition*

The Group's products are exported overseas and also sold in domestic market. Whether in foreign or domestic market, food additives industry is intensively competitive. Any increase in the level of competition could result in price reduction and erode the Group's market share and gross profit margin. The Group continuously monitors and analyses the competitive situation and market information and makes early estimate to adverse movements and takes corresponding measures. The Group has also taken measures to strengthen the brand, to promote business growth and consolidate the brand's market position. In addition, the Group continues to make improvement on production technologies to reduce production costs and improve product quality so that its products will be more competitive.

REPORT OF THE DIRECTORS

BUSINESS REVIEW (Continued)

(e) Principal risks and uncertainties (Continued)

5. *Liquidity risk*

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks for banking facilities, if necessary.

6. *Environmental legislation requirements*

The Group's production activities generate waste liquids, gases and solids. The Group has installed waste disposal facilities to reduce waste discharge and reduce the pollution to the environment. However, the relevant government authorities may issue and implement much stricter environmental protection laws and regulations, adopt much stricter environmental protection standards. Under such situations, the Group may increase expenses in relation to the environment protection accordingly.

7. *Currency risks*

At present, the PRC implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of Renminbi. The Group mainly operates in the PRC. Substantially all of its assets, liabilities and capital expenditure are located or incurred in Mainland China. Sales are made to customers in the PRC as well as overseas customers while purchases are mainly from suppliers in the PRC. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to USD. Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposure should the need arises.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Rui Xin Sheng
Chairman

REPORT OF THE SUPERVISORY COMMITTEE

To the Shareholders,

During the year ended 31 December 2025, the supervisory committee of Changmao Biochemical Engineering Company Limited (the “Supervisory Committee”), exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of trustworthiness, honestly carried out the duties of supervisors and worked cautiously and diligently, in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company for their accountability to the shareholders.

During the year, the major work performed by the Supervisory Committee included the attendance of the Board meetings; reviewing the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders’ approval at the forthcoming annual general meeting; strictly and effectively monitored that whether the policies and decisions made by the management of the Company had conformed with the state laws and regulations of the PRC and the Articles of Association of the Company or safeguarded the interest of the shareholders. The Supervisory Committee has also reviewed the performance of the Directors, general manager and senior management in the daily operation by various means; seriously examined the Company’s financial affairs and its connected transactions.

After the examination, the Supervisory Committee concluded that:

1. the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders’ approval at the forthcoming annual general meeting are in accordance with the relevant laws and regulations and the Articles of Association of the Company;
2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Directors, general manager and other senior management of the Company have abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees nor contravened any laws and regulations or the Articles of Association of the Company;

REPORT OF THE SUPERVISORY COMMITTEE

3. the consolidated financial statements of the Group for the year ended 31 December 2025 reflected truly and fairly the operating results and financial position of the Company and its subsidiaries.

The Supervisory Committee takes this opportunity to thank the shareholders, Directors and all the employees of the Company for their supports in the past year!

By order of the Supervisory Committee

Rui Li Qin

Chairman of the Supervisory Committee

The PRC, 30 March 2026

INDEPENDENT AUDITOR'S REPORT



To the Shareholders of Changmao Biochemical Engineering Company Limited
(a joint stock company incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Changmao Biochemical Engineering Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 76 to 151, comprise:

- the consolidated balance sheet as at 31 December 2025;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows 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 HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKASs”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We 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 HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB67,170,000 during the year ended 31 December 2025 and, as of that date, the Group’s current liabilities exceeded its current assets by RMB276,435,000 and the total bank and other borrowings amounted to RMB527,464,000, of which RMB477,643,000 were current bank borrowings and other borrowings, while the Group’s cash and bank balances amounted to RMB68,152,000. One of the Group’s subsidiaries did not meet the requirement of the financial covenants with respect to two project loans (the “Project Loans”) regarding the subsidiary’s debt-to-assets ratio and operating cash flows. The principal of these two Project Loans amounted to RMB207,568,000 as at 31 December 2025. Consequently, the Project Loans became immediately repayable on request by the banks. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 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 matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of sales of goods
- Impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

1. Revenue recognition of sales of goods

Refer to Note 5 to the consolidated financial statements.

For the year ended 31 December 2025, revenue from sales of goods amounted to RMB557 million. As detailed in Note 5, the Group manufactures and sells a range of organic acids products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer 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.

The focus on the revenue from sales of goods is due to large number of customers involved with goods distributed to many different locations. The amount of sales of goods recognized has a significant impact on the consolidated financial statements. Therefore, we need to deploy significant audit resources to execute the necessary audit procedures.

Our audit procedures in relation to revenue recognition of sales of goods included:

We understood, evaluated and validated management's internal controls in relation to the Group's revenue recognition of sales of goods.

We understood and evaluated the revenue recognition policy of the Group by obtaining and examining the major sales contracts and contract terms.

We conducted testing of revenue on a sampling basis as follows:

- Examining the supporting documents in relation to revenue of sales of goods, including sales orders, goods delivery notes, customs declarations, bills of lading, customers' acceptance documents and invoices;
- Confirming with the selected customers for the balance of trade receivables and contract liabilities on a sampling basis;
- Cut off testing of the revenue recorded before and after the balance sheet date by tracing the revenue recognition records to the relevant supporting documents, to assess whether the revenue was recognised in the correct reporting periods.

Based on our work performed, we considered that the revenue recognition of sales of goods can be supported by the audit evidence we have obtained.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>2. Impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian</p> <p>Refer to Notes 4(a), 16(a) and 38.7 to the consolidated financial statements.</p> <p>As detailed in Note 4(a), property, plant and equipment and construction in progress of Changmao Dalian (New Material) Company Limited ("Changmao Dalian") amounted to RMB648 million (before impairment charges) as at 31 December 2025. Management of the Group identified impairment indicators on property, plant and equipment and construction in progress in Changmao Dalian and has performed an impairment assessment on these assets for the year ended 31 December 2025. As a result of the impairment assessment, the Group recorded a total impairment provision charge of approximately RMB11 million in the consolidated statement of comprehensive income for the year.</p> <p>Management conducted an impairment assessment and estimated the recoverable amount of those assets allocated to the cash generating units ("CGUs") based on the higher of its fair value less costs of disposal and value in use ("VIU").</p> <p>The VIU calculation requires management to estimate the future cash flows expected to arise from the CGUs, which includes significant assumptions such as discount rate, future selling prices and gross margin.</p>	<p>Our audit procedures in relation to management's impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian included:</p> <p>We obtained an understanding of management's internal control and assessment process for impairment of property, plant and equipment and construction in progress and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias.</p> <p>We evaluated and validated management's internal controls over the impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian.</p> <p>We challenged the appropriateness of management's grouping of assets with the relevant CGUs, the appropriateness of the valuation model and the reasonableness of key assumptions adopted.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

We focused on auditing the impairment assessment of those property, plant and equipment and construction in progress in Changmao Dalian because the estimation of recoverable amounts are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of property, plant and equipment and construction in progress is considered significant due to the complexity of the valuation model and subjectivity of significant assumptions used.

How our audit addressed the Key Audit Matter

We evaluated the competence, capabilities and objectivity of the valuation expert engaged by the management in assistance of the impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian.

We involved our in-house valuation experts to assess the appropriateness of the valuation model and the reasonableness of the discount rate adopted by management with the assistance of the management's valuation expert.

We tested the forecasted selling prices and gross margin to market data to corroborate with management's information on a sample basis.

We tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the model.

Based on our work performed, we considered the significant accounting estimates, the model and key assumptions applied by management in the impairment assessment of property, plant and equipment and construction in progress in Changmao Dalian can be supported by the audit evidence we have obtained.

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 HKFRS Accounting Standards as issued by the HKICPA 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.

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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.

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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 Lam Chun Yee, Johnny (practising certificate number: P06566).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	556,925	584,794
Cost of sales	8	(539,092)	(568,017)
Gross profit		17,833	16,777
Other income	6	7,712	7,945
Other gains/(losses), net	7	1,677	(566)
Selling expenses	8	(10,055)	(10,174)
Administrative expenses	8	(65,578)	(70,845)
Reversal of/(impairment losses) on financial assets	8	41	(205)
Operating loss		(48,370)	(57,068)
Finance income		632	846
Finance costs		(17,225)	(11,360)
Finance costs, net	9	(16,593)	(10,514)
Loss before income tax		(64,963)	(67,582)
Income tax expense	10	(2,207)	(669)
Loss for the year		(67,170)	(68,251)
Loss for the year attributable to:			
Shareholders of the Company		(66,763)	(68,243)
Non-controlling interests		(407)	(8)
		(67,170)	(68,251)
Other comprehensive income			
Item that may be reclassified to profit or loss			
– currency translation difference		–	1
Total comprehensive loss for the year		(67,170)	(68,250)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		(66,763)	(68,242)
Non-controlling interests		(407)	(8)
		(67,170)	(68,250)
Loss per share for loss attributable to			
Shareholders of the Company			
– basic and diluted	11	RMB(0.126)	RMB(0.129)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Patents	15	373	506
Property, plant and equipment	16	707,414	604,275
Construction in progress	16	90,676	230,344
Right-of-use assets	18	88,270	90,359
Investment properties	17	3,066	3,424
Deferred income tax assets	30	–	220
Prepayment	23	6,648	8,704
Other non-current assets		12,224	13,133
		908,671	950,965
Current assets			
Inventories	21	110,355	143,354
Trade and bills receivables	22	75,488	63,001
Other receivables, deposits and prepayments	23	12,968	15,306
Income tax recoverable		443	1,454
Financial assets at fair value through other comprehensive income		3,648	16,602
Derivative financial instruments		–	5
Pledged bank balances	24	–	1,108
Cash and bank balances	24	68,152	57,963
		271,054	298,793
Total assets		1,179,725	1,249,758
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	52,970	52,970
Reserves	26	463,713	530,476
		516,683	583,446
Non-controlling interests		(514)	(107)
Total equity		516,169	583,339

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	28	54,779	40,470
Lease liabilities	18	224	419
Deferred income tax liabilities	30	743	679
Loans from shareholders	31	10,500	10,500
Borrowings	29	49,821	9,800
		116,067	61,868
Current liabilities			
Trade and bills payables	27	25,989	28,700
Contract liabilities, other payables and accruals	28	42,972	60,436
Lease liabilities	18	885	675
Borrowings	29	477,643	514,740
		547,489	604,551
Total liabilities		663,556	666,419
Total equity and liabilities		1,179,725	1,249,758

The financial statements on pages 76 to 151 were approved by the Board of Directors on 30 March 2026 and were signed on its behalf.

Rui Xin Sheng
Director

Pan Chun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2025

	Attributable to shareholders of the Company					Non-controlling interests	Total
	Notes	Share capital	Other reserves	Retained earnings	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024		52,970	191,301	407,417	651,688	(99)	651,589
Loss for the year		–	–	(68,243)	(68,243)	(8)	(68,251)
Other comprehensive income							
– currency translation difference		–	1	–	1	–	1
Others	26	–	122	(122)	–	–	–
Balance at 31 December 2024		52,970	191,424	339,052	583,446	(107)	583,339
Balance at 1 January 2025		52,970	191,424	339,052	583,446	(107)	583,339
Loss for the year		–	–	(66,763)	(66,763)	(407)	(67,170)
Others	26	–	775	(775)	–	–	–
Balance at 31 December 2025		52,970	192,199	271,514	516,683	(514)	516,169

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	32(a)	41,453	(11,380)
Interest paid		(21,024)	(21,853)
Income tax (paid)/recovered		(912)	916
Net cash generated from/(used in) operating activities		19,517	(32,317)
Cash flows from investing activities			
Payments for property, plant and equipment and construction in progress		(8,831)	(63,965)
Proceeds from disposal of property, plant and equipment		120	525
Proceeds from government grants		14,606	30,000
Interest received		632	846
Investment income received		6	60
Net cash generated from/(used in) investing activities		6,533	(32,534)
Cash flows from financing activities			
Principal elements of lease payments	32(c)	(898)	(946)
Proceeds from bank borrowings	32(c)	302,300	389,637
Repayment of bank borrowings	32(c)	(367,101)	(366,058)
Proceeds from other borrowings	32(c)	50,000	–
Proceeds from shareholders' loans	32(c)	–	10,500
Net cash (used in)/generated from financing activities		(15,699)	33,133
Net increase/(decrease) in cash and cash equivalents increase		10,351	(31,718)
Effect of foreign exchange rate changes		(162)	127
Cash and cash equivalents at 1 January		57,963	89,554
Cash and cash equivalents at 31 December		68,152	57,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Changmao Biochemical Engineering Company Limited (the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”). The Company formerly listed its H shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“SEHK”) on 28 June 2002 which was then transferred to the Main Board of the SEHK on 28 June 2013. The principal activities of the Company and its subsidiaries (together, the “Group”) are the production and sales of organic acids products.

The address of the Company’s registered office is No.1228 Chang Jiang Bei Road, New North Zone, Changzhou City, Jiangsu Province, 213034, the PRC.

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2026.

2 BASIS OF PREPARATION

The consolidated financial statements of Changmao Biochemical Engineering Company Limited have been prepared in accordance with all applicable HKFRS Accounting Standards and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income and derivative financial instruments which are carried at fair value.

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

Going concern basis

For the year ended 31 December 2025, the Group incurred a net loss of RMB67,170,000 and as of that date, the Group’s current liabilities exceeded its current assets by RMB276,435,000 and the total bank and other borrowings amounted to RMB527,464,000, of which RMB477,643,000 were current bank and other borrowings, while the Group’s cash and bank balances amounted to RMB68,152,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

One of the Group's subsidiaries (the "Subsidiary") did not meet the requirements of two financial covenants with two project loans (the "Project Loans") regarding the Subsidiary's debt-to-assets ratio and operating cash flow. The principal of these two Project Loans amounted to RMB207,568,000 as at 31 December 2025. Consequently, the Project Loans became immediately repayable on request by the banks. As no waiver of these covenants has been obtained from the relevant banks, the non-current portion of these Project Loans amounting to RMB128,961,000 with the original contractual repayment dates beyond 31 December 2026 were classified as current liabilities.

The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "Directors") have given due consideration to the liquidity and performance of the Group and available financing to assess whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position:

- Management of the Company discussed with the banks and the Company understood from the banks that they will not demand immediate repayment of the Project Loans if the Group repays the principals and interests thereon according to the original terms despite the non-compliance of the financial covenants. For the year ended 31 December 2025, the Subsidiary has made repayments of RMB75,066,000 for the Project Loans in accordance with the original repayment terms. Based on above discussion with the banks and no demand from the banks for early repayment, the Directors believe the Project Loans will continue to be advanced by the banks in accordance with the original terms of the Project Loans in 2026;
- The Group had uncommitted revolving bank facilities of RMB409,000,000 out of which approximately RMB139,104,000 was unutilized as at 31 December 2025. The Directors are of the opinion that such bank facilities will be available for drawdown as and when needed to fulfill the Group's financing requirement. The Group will also seek other alternative financing in order to settle its existing financial obligations and meet future operating needs;
- The Group has integrated the production lines of its subsidiaries to streamline the production process to reduce costs and will continue to implement cost reduction measures; and
- The Group has taken measures to monitor and control administrative costs and future capital expenditures and will continue with measures to reduce cash outflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2025. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2025.

Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows and other factors as follows:

- The banks will not demand for repayment of the Project Loans of the Subsidiary and these loans will continue to be advanced in accordance with the original terms despite that the Group may not be able to ratify the non-compliance. Apart from that, the Group can continue to comply with the terms and conditions of the bank borrowings;
- Successful and timely extension and renewal of its bank facilities and its bank borrowings, upon maturity as well as obtaining new financing from financial institutions. The Group's ability to obtain these financing depends on (1) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal; and (2) the Group's ongoing ability to comply with the relevant terms and conditions of its bank borrowings;
- Effective implementation of plans to reduce production costs through integration of product lines of its subsidiaries;
- Successful implementation of measures to control administrative costs and future capital expenditures.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Continued)

(a) *New and amended standards adopted by the Group*

The Group has applied the following amended standard for its annual reporting period commencing 1 January 2025:

- Amendments to HKAS 21 – Lack of Exchangeability

The amendment 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 interpretation not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group. Except for (iv) below, these standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- (i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to HKFRS 9 and HKFRS 7 (effective for annual periods beginning on or after 1 January 2026)

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Continued)

(b) *New and amended standards and interpretation not yet adopted (Continued)*

- (ii) Annual improvements to HKFRS – Volume 11 – Annual improvements (effective for annual periods beginning on or after 1 January 2026)
- (iii) Amendments to HKAS 21 – Translation to a Hyperinflationary Presentation Currency (effective for annual periods beginning on or after 1 January 2027)
- (iv) HKFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of comprehensive income into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
 - o Foreign exchange differences currently aggregated in the line item 'other gains/(losses) – net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Continued)

(b) *New and amended standards and interpretation not yet adopted (Continued)*

(iv) HKFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027) (Continued)

- The line items presented on the primary financial statements might change as a result of the application of the concept of ‘useful structured summary’ and the enhanced principles on aggregation and disaggregation.
 - o management-defined performance measures;
 - o a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
 - o for the first annual period of application of HKFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.
- From a cash flow statement perspective, there will be change to how interest paid is presented. Interest paid will be presented as financing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

(v) HKFRS 19 – Subsidiaries without Public Accountability: Disclosures and Amendments to HKFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

(a) *Foreign exchange risk*

The Group mainly operates in the PRC. Substantially all of its assets, liabilities and capital expenditure were located or incurred in Mainland China. Sales are made to customers in the PRC as well as overseas customers while purchases are mainly from suppliers in the PRC. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to United States Dollars ("USD").

Management periodically monitors foreign currency exposures and considers hedging significant foreign currency exposures should the need arises. During the year, the Group used forward contracts to hedge, but do not qualify for hedge accounting, its foreign currency exposure in USD.

At 31 December 2025, if Renminbi ("RMB") had weakened/strengthened by 5% against USD with all other variables held constant, post-tax loss for the year would have been approximately RMB1,929,000 (2024: RMB1,471,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, bank deposits and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk Management

The Group's credit risk mainly arises from pledged bank balances, cash and bank balances, trade and bills receivables, other receivables and deposits and financial assets at fair value through other comprehensive income ("FVOCI"). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2025 RMB'000	2024 RMB'000
Trade and bills receivables, other receivables and deposits (excluding non-financial assets)	76,849	64,014
Financial assets at FVOCI	3,648	16,602
Derivative financial instruments	–	5
Pledged bank balances and cash and bank balances (Note 24)	68,152	59,071
Maximum exposure to credit risk	148,649	139,692

The credit period of the majority of the Group's trade receivables is due within 30 to 210 days and largely comprises amounts receivable from corporate customers.

In respect of trade receivables, the Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers, taking into account its financial position, past experience and other factors. The directors consider the Group does not have a significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to HKFRS 9's expected credit loss model:

- trade and bills receivables;
- other receivables and deposits (excluding non-financial assets);
- financial assets at FVOCI;
- pledged bank balances and cash and bank balances.

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and collectively or individually assessing them for likelihood of recovery.

The Group categorises its trade receivables, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of credit sales over a period of 12 months 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.

Given the track record of regular repayment of trade receivables under the collective assessment, the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomic factors. Therefore, expected credit loss rate of these trade receivables is assessed to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Bills receivables, financial assets at FVOCI and cash at bank

As at 31 December 2025, substantially all of the Group's bank balances are deposited in major financial institutions located in the PRC. Management does not expect any losses from non-performance by these banks. Bills receivables and financial assets at FVOCI are settled by state owned banks or other reputable banks and therefore the management considers that they will not expose the Group to any significant credit risk. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past; therefore, the identified credit loss allowance was also immaterial (2024: same).

Other receivables and deposits

Loss allowance on other receivables and deposits from third parties are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses. The credit loss allowance was immaterial as at 31 December 2025 (2024: same).

(c) Liquidity risk

The Group's primary cash requirements have been for upgrades on property, plant and equipment, repayment on related borrowings and other borrowings and payment for research and development expenses. The Group finances its working capital requirements through funds generated from operations, short-term bank borrowings and other borrowings.

Due to the dynamic nature of the underlying businesses, the Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate lines of funding to meet its liquidity requirements in the short and long term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date):

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2025				
Trade and bills payables	25,989	–	–	25,989
Other payables	28,440	–	–	28,440
Lease liabilities	910	240	–	1,150
Borrowings	362,952	106,352	81,341	550,645
Loans from shareholders	–	–	10,500	10,500
Total	418,291	106,592	91,841	616,724
At 31 December 2024				
Trade and bills payables	28,700	–	–	28,700
Other payables	41,608	–	–	41,608
Lease liabilities	708	431	–	1,139
Borrowings	323,820	95,472	134,401	553,693
Loans from shareholders	–	–	10,500	10,500
Total	394,836	95,903	144,901	635,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and bank balances, details of which are disclosed in Note 24. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Management intends to draw short-term bank loans so as to increase flexibility in financing.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest-rate risk.

At 31 December 2025, if the interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately RMB272,000 (2024: approximately RMB418,000) higher/lower, mainly as a result of higher/lower interest expense on bank borrowings.

3.2 Capital risk 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, repurchase shares from shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the liabilities-to-assets ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain the ratio at a reasonable level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The liabilities-to-assets ratio at 31 December 2025 and 2024 was as follows:

	2025	2024
Total liabilities (RMB'000)	663,556	666,419
Total assets (RMB'000)	1,179,725	1,249,758
Liabilities-to-assets ratio	56.2%	53.3%

The increase in liabilities-to-assets ratio is mainly due to the decrease in property, plant and equipment resulting from depreciation and decrease in inventories resulting from higher turnover ratio.

3.3 Fair value estimation

Fair value hierarchy

	31 December 2025 RMB'000	31 December 2024 RMB'000
Level 2		
Foreign exchange swap assets	–	5
Level 3		
Financial assets at fair value through other comprehensive income	3,648	16,602

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Majority of the carrying amount of the Group's financial assets, including cash and bank balances, pledged bank balances, trade and bills receivables, other receivables and deposits, financial assets at FVOCI, and financial liabilities, including trade and bills payables, other payables, lease liabilities, borrowings and loans from shareholders, approximate their fair values due to their short maturities.

The amounts of fair value changes recognised in profit and loss or other comprehensive income for items in level 3 for the year ended 31 December 2025 was insignificant (2024: insignificant).

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(a) Impairment of property, plant and equipment and construction in progress

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on higher of fair value less cost of disposal ("FVL COD") or value-in-use ("VIU") calculations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of FVL COD and VIU which is the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in the impairment test included market data used in FVL COD, gross margin and discount rate for preparing cash flow forecast used in VIU calculation. Changing the assumptions selected by management could affect the recoverable amounts in the impairment test and as a result affect the Group's financial position and results of operations.

The property, plant and equipment and construction in progress of Changmao Dalian (New Material) Company Limited ("Changmao Dalian") amounted to RMB647.5 million (before impairment charges) as at 31 December 2025. Management has performed impairment assessment on the property, plant and equipment and construction in progress of Changmao Dalian and recognised an impairment of RMB10.6 million provision on the property, plant and equipment and construction in progress of Changmao Dalian. Details of the impairment assessment of Changmao Dalian is disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of property, plant and equipment and construction in progress (Continued)

Management has performed impairment assessment on the property, plant and equipment and construction in progress of Changmao Biochemical Lianyungang Company Limited (“Lianyungang Changmao”) and recognised an impairment provision of approximately RMB153,000 (2024: RMB928,000) on the property, plant and equipment and construction in progress of Lianyungang Changmao.

(b) Net realisable value of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Provisions are made for inventories where events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. In addition, management has assessed the realisability of the inventories and considers that the provision for inventories impairment is adequate and reasonable in the current year.

(c) Useful lives of property, plant and equipment

The Group’s management determines the estimated useful lives, residual values and related depreciation charges for the Group’s property, plant and equipment, with reference to the estimated periods that the Group intends to derive future economic benefits from use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives or residual values are different from previously estimated, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Trade and other receivables

The loss allowances for trade and other receivables 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 Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Income taxes and deferred tax

The Group is subject to income taxes in Mainland China. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5 REVENUE AND SEGMENT INFORMATION

Executive directors are identified as the chief operating decision maker. Management has determined the operating segments based on the information reported to the executive directors for the purposes of allocating resources and assessing performance.

The Group is engaged in the production and sales of organic acids products. Resources of the Group are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, and the executive directors consider the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirement of HKFRS 8.

	2025	2024
	RMB'000	RMB'000
Revenue from sales of goods, recognised at a point in time	556,925	584,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

An analysis of the Group's revenue by geographic location is as follows:

	2025 RMB'000	2024 RMB'000
China	434,457	459,869
Spain	19,954	13,186
Denmark	12,335	18,265
Others	90,179	93,474
	556,925	584,794

Other countries mainly include the Germany, America and Japan.

The analysis of revenue by geographic location is based on the country area in which the customer is located.

As at 31 December 2025, all the Group's non-current assets (other than the deferred income tax assets) amounted to RMB908,671,000 (2024: RMB950,745,000) are located in Mainland China.

Included in the revenue from sales of goods, approximately RMB17,374,000 (2024: RMB20,490,000) was contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 3% (2024: 4%) of the total revenue of the Group. There are no single customers contributing over 10% of the Group's total revenue.

Assets and liabilities related to contract with customers

The Group has not recognised any contract assets related to contract with customers as at 31 December 2025.

(i) Significant changes in contract liabilities

Contract liabilities have been decreased by RMB127,000 due to decrease in sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

Assets and liabilities related to contract with customers (Continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the balance of contract liabilities at the beginning of the period.

	2025	2024
	RMB'000	RMB'000
Sales of products	4,511	3,867

(iii) Unsatisfied performance obligations

All contracts with customers are for periods of less than one year. The unsatisfied contracts will be recognized as revenue within one year.

Accounting policies of revenue recognition

The Group manufactures and sells a range of organic acids products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer 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.

Revenue from the sale of goods is based on the price specified in the sales contracts. No element of financing is deemed present as the sales are made within the credit terms, which is consistent with market practice.

Receivable is recognised when the goods are delivered and accepted 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.

Deposit collected from the customers before product delivery is recognised as contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME

	2025 RMB'000	2024 RMB'000
Government grants (Note (i))	5,923	4,501
Rental income from operating leases	1,568	1,631
Others	221	1,813
	<u>7,712</u>	<u>7,945</u>

(i) Deferral and presentation of government grants

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 property, plant and equipment are included in liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

7 OTHER GAINS/(LOSSES), NET

	2025 RMB'000	2024 RMB'000
Reversal of provision/(loss) on demolition/relocation of property, plant and equipment	1,898	(1,103)
Net fair value gains on financial assets/liabilities at fair value through profit or loss	19	217
Net exchange (losses)/gains	(81)	2,943
Loss on disposal of property, plant and equipment and construction in progress	(133)	(2,623)
Others	(26)	–
	<u>1,677</u>	<u>(566)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	2025	2024
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	26,062	(18,907)
Raw materials and consumables used	283,251	338,230
Staff costs (including emoluments of directors and supervisors) (Note 13)	86,614	96,369
Utilities	56,787	75,579
Impairment loss on property, plant and equipment (Note 16)	10,726	661
Impairment loss on construction in progress (Note 16)	9	267
Depreciation of property, plant and equipment (Note 16)	49,794	40,280
Transportation costs	28,356	27,818
Research and development costs (Note (a))	6,318	10,739
Maintenance costs	4,715	10,549
Provision for inventories to net realisable value (Note 21)	6,754	14,693
Depreciation of right-of-use assets (Note 18)	3,009	3,052
Auditor's remuneration		
– audit services	1,604	1,368
– non-audit services	47	47
Amortisation of patents (Note 15)	133	133
(Reversal of)/impairment losses on financial assets	(41)	205
Other expenses	50,546	48,158
	614,684	649,241

- (a) Included in research and development costs were mainly expenditures incurred for the formulation, design, evaluation and application of various forms of organic acids products for commercial use. Management assessed that those internal projects were in the research and initial development stage, and did not recognise any of those expenditure as an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE COSTS, NET

	2025	2024
	RMB'000	RMB'000
Interest on borrowings	20,651	21,516
Interest paid/payable for lease liabilities (Note 18)	51	80
Less: amounts capitalised on qualifying assets* (Note 16(e))	(3,477)	(10,236)
	17,225	11,360
Interest income on bank deposits	(632)	(846)
	16,593	10,514

* Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 3.83% (2024: 5.30%).

10 INCOME TAX EXPENSE

PRC Corporate Income Tax ("CIT") is provided for on the basis of the profit for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The Company, being qualified as a High and New Technology Enterprise ("HNTE"), is entitled to enjoy the preferential tax rate of 15% for three years starting from 2020. The Company has renewed the HNTE qualification successfully in November 2023. Other subsidiaries of the Company in Mainland China are subject to a standard tax rate of 25%.

The amount of income tax charged to consolidated statement of comprehensive income represents:

	2025	2024
	RMB'000	RMB'000
Current income tax	1,923	128
Deferred income tax (Note 30)	284	541
	2,207	669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities as follows:

	2025 RMB'000	2024 RMB'000
Loss before income tax	(64,963)	(67,582)
Calculated at the tax rates applicable to results of the respective consolidated entities	(19,402)	(19,238)
Expenses not deductible for tax purposes	321	357
Tax losses and timing differences for which no deferred income tax asset was recognised	24,065	22,779
Utilisation of previously unrecognised tax losses	(99)	(11)
Tax incentives for research and development expenses (Note (a))	(2,736)	(3,285)
Others	58	67
Income tax expense	2,207	669

- (a) According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2021 onwards, enterprises engaging in research and development activities are entitled to claim 200% (2024: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended 31 December 2025 and 2024.

11 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2025 is based on the loss attributable to the shareholders of the Company of RMB66,763,000 (2024: RMB68,243,000) and 529,700,000 (2024: 529,700,000) weighted average number of shares in issue during the year.

The Company had no dilutive potential shares in issue during the year (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 DIVIDENDS

No interim dividend was declared during the year (2024: Nil). Dividend paid in 2025 and 2024 were nil. The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2025.

13 STAFF COSTS

Staff costs including directors' and supervisors' remuneration are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, wages and related welfare	69,790	80,074
Social security costs	9,410	10,660
Contribution to defined contribution retirement schemes (Note (b))	7,474	8,150
	86,674	98,884

(a) For the year ended 31 December 2025, the Group recognised staff costs of RMB86,674,000 (2024: RMB98,884,000), including expensed staff costs of RMB86,614,000 (2024: RMB96,369,000) (Note 8) in the profit or loss and capitalised staff costs of RMB60,000 (2024: RMB2,515,000) in construction in progress.

(b) The Group is required to participate in defined contribution retirement schemes organised by the relevant local government authorities for its PRC based employees. Contributions to the retirement schemes are payable at a rate of 16% in 2025 (2024: 16%) of the total salaries and allowances of the PRC based employees, subject to a ceiling, and the Group has no further retirement benefit obligations to all its existing and future retired PRC based employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 EMOLUMENTS OF SUPERVISORS AND SENIOR MANAGEMENT

(a) The remuneration of each of the supervisors of the Company for the year ended 31 December 2025 is set out as follows:

	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefit	Retirement benefits contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Zhou Rui Juan	6	-	-	-	-	-	6
Mr. Zhang Jun Peng	6	289	-	-	-	24	319
Ms. Rui Li Qin	15	244	-	-	-	24	283

None of the supervisors received or will receive any retirement benefits or termination benefits during the financial year (2024: Nil).

The remuneration of each of the supervisors of the Company for the year ended 31 December 2024 is set out as follows:

	Fees	Salaries	Discretionary bonus	Housing allowance	Estimated money value of other benefit	Retirement benefits contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Zhou Rui Juan	6	-	-	-	-	-	6
Mr. Zhang Jun Peng	6	273	-	-	-	24	303
Ms. Rui Li Qin	15	239	-	-	-	24	278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 EMOLUMENTS OF SUPERVISORS AND SENIOR MANAGEMENT

(Continued)

(b) Five highest paid individuals

Among the five highest paid individuals, two (2024: two) of them are directors of the Company and the details of their remuneration are disclosed in Note 37(a). The emoluments of the remaining three highest paid individuals are as follows:

	2025 RMB'000	2024 RMB'000
Basic salaries, allowances and benefits in kind	1,848	1,729
Retirement benefit contributions	93	109
	<u>1,941</u>	<u>1,838</u>

The emoluments fell within the following bands:

	Number of individuals	
	2025	2024
Emolument bands (in Hong Kong dollars)		
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

(c) Senior management remuneration by band

Same as disclosed in Note 14(b) above, all senior management are not directors nor supervisors, all senior management's emolument fell within the band of nil to HK\$1,000,000 (2024: the same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PATENTS

	2025 RMB'000	2024 RMB'000
Net book amount, at 1 January	506	639
Amortisation charge (Note 8)	(133)	(133)
	<hr/>	
Net book amount, at 31 December	373	506
	<hr/>	
	2025 RMB'000	2024 RMB'000
At cost	12,405	12,405
Accumulated amortisation	(12,032)	(11,899)
	<hr/>	
Net book amount, at 31 December	373	506
	<hr/>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Total RMB'000
At 1 January 2024				
Cost	289,518	496,745	47,110	833,373
Accumulated depreciation and impairment	(108,155)	(257,292)	(34,532)	(399,979)
Net book amount	181,363	239,453	12,578	433,394
Year ended 31 December 2024				
Opening net book amount	181,363	239,453	12,578	433,394
Additions	–	808	1,739	2,547
Transfer from construction in progress (Note (c))	115,043	94,807	1,438	211,288
Other disposals	(40)	(1,875)	(65)	(1,980)
Depreciation	(14,069)	(23,377)	(2,867)	(40,313)
Impairment loss (Note (a))	–	(661)	–	(661)
Closing net book amount	282,297	309,155	12,823	604,275
At 31 December 2024				
Cost	401,756	591,962	48,953	1,042,671
Accumulated depreciation and impairment	(119,459)	(282,807)	(36,130)	(438,396)
Net book amount	282,297	309,155	12,823	604,275
Year ended 31 December 2025				
Opening net book amount	282,297	309,155	12,823	604,275
Additions	531	167	22	720
Transfer from construction in progress (Note (c))	58,769	108,590	331	167,690
Other disposals	–	(4,647)	(68)	(4,715)
Depreciation	(18,429)	(28,396)	(3,005)	(49,830)
Impairment loss (Note (a))	(2,058)	(8,668)	–	(10,726)
Closing net book amount	321,110	376,201	10,103	707,414
At 31 December 2025				
Cost	461,056	682,115	48,553	1,191,724
Accumulated depreciation and impairment	(139,946)	(305,914)	(38,450)	(484,310)
Net book amount	321,110	376,201	10,103	707,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

For the year ended 31 December 2025, depreciation expense of RMB43,808,000 (2024: RMB33,559,000) and RMB5,986,000 (2024: RMB6,721,000) were charged in “cost of sales” and “administrative expenses”, RMB36,000 (2024: RMB33,000) was accounted for in “construction in progress”.

(a) Provision for impairment

According to the accounting policies stated in Note 38.7 and critical accounting estimates and judgements stated in Note 4(a), the Group performed impairment testing on property, plant and equipment and construction in progress of Changmao Dalian and Lianyungang Changmao with impairment indicators. Impairment charge of RMB10,582,000 (2024: Nil) was recognised on property, plant and equipment of Changmao Dalian and impairment charge of RMB144,000 (2024: RMB661,000) and RMB9,000 (2024: RMB267,000) was recognised on property, plant and equipment and construction in progress, respectively, for Lianyungang Changmao for the year ended 31 December 2025 (Note 16 (c)). All of the impairment provisions on property, plant and equipment and construction in progress were charged in “cost of sales” for the year ended 31 December 2025 (2024: Same).

Management conducted an impairment assessment and assessed the recoverable amounts of property, plant and equipment and construction in progress of Changmao Dalian allocated to cash generating units (“CGUs”), which is the higher of FVL COD and VIU. In determining the FVL COD, management leveraged their knowledge of subject assets and via considered available information. FVL COD is a level 3 fair value measurement. VIU is determined using cash flow projections based on financial forecast covering a fourteen-year to fifteen-year period for different CGUs respectively prepared by management. As a result, the recoverable amounts of the CGUs were determined based on VIU, which is the higher of FVL COD and VIU, leading to one CGU was impaired and no impairment charges should be made for the other two CGUs. The forecast period adopted for Changmao Dalian is considered appropriate for chemical products industry, taking into account the expected industry operating cycle and useful lives of the relevant assets. The key assumptions include selling prices, gross margin and discount rates applied to future cash flows. Selling prices are estimated with reference to the orders on hand, historical market price and inflation. Gross margin is estimated based on the aforementioned selling price and the cost of key raw materials and other related costs with reference to the historical data and inflation. The pre-tax discount rates used in the 2025 impairment assessment was 14.9% for the impaired CGU and 14.8% and 15.0% for the other two CGUs, respectively. For the purpose of sensitivity analysis, if the gross margin is reduced by 0.5% or the discount rate is increased by 0.5% (other assumptions remain constant), there would be an additional impairment provision of RMB6,408,000 or RMB9,742,000 for the impaired CGU. If the gross margin is reduced by 0.5% or the discount rates are increased by 0.5% (other assumptions remain constant), there would be impairment provision of RMB398,000 or RMB3,782,000 for the other two CGUs in total.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)

(b) Depreciation methods and useful lives

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their estimated residual values over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	5-15 years
Equipment and motor vehicles	5 years

See Note 38.4 for the other accounting policies relevant to property, plant and equipment.

(c) Construction in progress

	2025 RMB'000	2024 RMB'000
At 1 January	230,344	339,054
Additions	28,031	104,014
Transfer to property, plant and equipment	(167,690)	(211,288)
Impairment loss (Note 16(a))	(9)	(267)
Disposal	–	(1,169)
At 31 December	90,676	230,344

(d) As at 31 December 2025, certain borrowings (Note 29) in Dalian factory were secured by the property, plant and equipment of Changmao Dalian.

(e) During the year ended 31 December 2025, borrowing costs of RMB3,477,000 (2024: RMB10,236,000) were capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
At 1 January	3,424	3,770
Depreciation	(358)	(346)
	<hr/>	<hr/>
At 31 December	3,066	3,424

(a) Amount recognised in the profit and loss for investment properties:

	2025 RMB'000	2024 RMB'000
Direct operating expenses from property that generated rental income	358	346
	<hr/>	<hr/>

(b) Fair value

	2025 RMB'000	2024 RMB'000
At 31 December	41,300	39,753
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 LEASES

This note provides information for leases where the Group is a lessee.

The Group's right-of-use assets and lease liabilities mainly arise from lease of four land use rights located in Mainland China with typically lease terms of 50 years and an office premises. The lease agreements do not impose any covenants, but the land use right of Changmao Dalian was used as collateral for bank facilities/borrowings (Note 29) in Dalian factory.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
Land use rights	86,918	89,028
Office premises	1,352	1,331
	<hr/> 88,270	<hr/> 90,359
Lease liabilities		
Current	885	675
Non-current	224	419
	<hr/> 1,109	<hr/> 1,094

Additions to right-of-use assets during the 2025 financial year was RMB920,000 (2024: Nil).

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets (Note 8)	3,009	3,052
Interest expense (included in finance cost) (Note 9)	51	80
	<hr/> 3,060	<hr/> 3,132

The total cash outflow for leases in 2025 was RMB949,000 (2024: RMB1,026,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2025 are as follows:

Name	Place of establishment, operations and kind of legal entity	Particulars of registered and paid up capital	Interest directly held	Interest indirectly held	Principal activities
上海常茂生物化學工程有限公司 (Shanghai Changmao Biochemical Engineering Company Limited)	PRC, limited liability company	RMB20,000,000	100%	–	Trading of organic acids products and property holding
上海醫學生命科學研究中心有限公司 (Shanghai Medical Life Science Research Centre Limited) (Note (a))	PRC, limited liability company	RMB15,384,600	57.44%	–	Research and development of medicine and nutraceutical products
常茂生物連雲港有限公司 (Changmao Biochemical Lianyungang Company Limited)	PRC, limited liability company	RMB50,000,000	100%	–	Sales and production of organic acids products
Changmao (Hong Kong) Company Limited	Hong Kong, limited company	HKD1	100%	–	Trading of organic acids products
維萌(上海)商貿有限公司 (Shanghai Vitalements Trading Co., Ltd.)	PRC, limited liability company	Registered capital: RMB1,000,000 Paid up capital: RMB2,000	–	100%	General trading
常茂(大連)新材料有限公司 (Changmao (Dalian) New Material Company Limited)	PRC, limited liability company	RMB300,000,000	100%	–	Manufacturing and sales of organic acid products

Note (a): No summarised financial information of Shanghai Medical Life Science Research Centre Limited is presented as the non-controlling interest is not material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

	2025 RMB'000	2024 RMB'000
Financial assets		
<i>Financial assets at amortised cost</i>		
Trade and bills receivables	75,488	63,001
Other receivables and deposits (excluding non-financial assets)	1,361	1,013
Pledged bank balances	–	1,108
Cash and bank balances	68,152	57,963
<i>Financial asset at fair value through profit or loss</i>		
Derivative financial instruments	–	5
<i>Financial assets at fair value through other comprehensive income</i>		
	3,648	16,602
Total	148,649	139,692
	2025 RMB'000	2024 RMB'000
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Borrowings	527,464	524,540
Trade and bills payables	25,989	28,700
Other payables (excluding non-financial liabilities)	28,440	41,608
Lease liabilities	1,109	1,094
Loans from shareholders	10,500	10,500
Total	593,502	606,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	17,618	18,799
Work-in-progress	21,652	24,343
Finished goods	71,085	100,212
	<hr/> 110,355	<hr/> 143,354

(i) Assigning costs to inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditures. 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.

(ii) Amounts recognised in profit or loss

As at 31 December 2025, provision for impairment of inventories amounted to RMB13,683,000 (2024: RMB21,079,000).

Write-downs of inventories to net realisable value amounted to RMB6,754,000 (2024: RMB14,693,000). These were recognised as cost of sales during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	55,522	43,010
Bills receivables	19,966	19,991
	<u>75,488</u>	<u>63,001</u>

- (a) The credit terms of trade receivables range from 30 to 210 days and the ageing analysis which is based on the invoice date of trade receivables is as follows:

	2025 RMB'000	2024 RMB'000
0 to 3 months	48,477	40,841
4 to 6 months	7,699	3,216
Over 6 months	437	85
	<u>56,613</u>	<u>44,142</u>
Less: Loss allowance (Note 3.1)	(1,091)	(1,132)
	<u>55,522</u>	<u>43,010</u>

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. They are generally due for settlement within 30-210 days and therefore are all classified as current.

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 to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a description of the Group's impairment policies.

- (b) The maturity dates of bills receivables are normally within 6 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND BILLS RECEIVABLES (Continued)

(c) **Loss allowance of trade receivables**

The Group applies the HKFRS 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 allowance.

Information about the impairment of trade receivables and the Group's exposure to foreign exchange risk and credit risk can be found in Note 3.1.

The closing loss allowances for all trade receivables reconcile to the opening loss allowances are as follows:

	RMB'000
Loss allowance as at 1 January 2024	927
Provision for loss allowance for trade receivables	205
<hr/>	
Loss allowance as at 31 December 2024	1,132
Reversal of provision for loss allowance for trade receivables	(41)
<hr/>	
Loss allowance as at 31 December 2025	<u>1,091</u>

(d) The carrying amounts of trade and bills receivables approximate their fair values and are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	35,712	29,786
USD	38,416	33,215
EUR	1,360	–
<hr/>		
	<u>75,488</u>	<u>63,001</u>

(e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Prepayments	13,858	14,053
Value-added tax receivables	4,397	8,944
Other receivables	1,361	1,013
	<u>19,616</u>	<u>24,010</u>
Less: Non-current portion		
Prepayments for property, plant and equipment	(6,648)	(8,704)
	<u>12,968</u>	<u>15,306</u>

24 PLEDGED BANK BALANCES AND CASH AND BANK BALANCES

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	68,152	57,963
Pledged bank balances	–	1,108
	<u>68,152</u>	<u>59,071</u>
	2025 RMB'000	2024 RMB'000
Denominated in:		
– RMB	60,883	52,968
– USD	6,988	5,748
– HKD	281	355
	<u>68,152</u>	<u>59,071</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The conversion of RMB denominated balances into foreign currencies and the remittance of these funds out of the Mainland China is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2025, no bank balances were pledged. As at 31 December 2024, bank balances of RMB1,108,000 mainly had been pledged to a bank to secure the Group's bills financing facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE CAPITAL

Registered, issued and fully paid:

	Share capital	
	Number of shares at RMB0.10 each	Nominal Value RMB'000
At 31 December 2025 and 2024	529,700,000	52,970

As at 31 December 2025 and 2024, the share capital of the Company comprised 2.5 million domestic shares, 343.5 million promoter foreign shares and 183.7 million H shares. The H shares rank pari passu with the domestic shares and promoter foreign shares in all aspects and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed by legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 RESERVES

	Share premium RMB'000	Statutory common reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	102,559	87,233	461	6	1,042	407,417	598,718
Loss for the year	-	-	-	-	-	(68,243)	(68,243)
Other comprehensive income – currency translation difference	-	-	-	1	-	-	1
Others	-	-	-	-	122	(122)	-
At 31 December 2024	102,559	87,233	461	7	1,164	339,052	530,476
At 1 January 2025	102,559	87,233	461	7	1,164	339,052	530,476
Loss for the year	-	-	-	-	-	(66,763)	(66,763)
Others	-	-	-	-	775	(775)	-
At 31 December 2025	102,559	87,233	461	7	1,939	271,514	463,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 RESERVES (Continued)

Statutory common reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its profit after tax, as determined in accordance with the PRC accounting rules and regulations, to statutory common reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory common reserve can be used to make good previous years' losses, if any, to expand the business operations of the Company and may be converted into share capital by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital of the Company.

27 TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	25,989	23,158
Bills payables	–	5,542
	25,989	28,700

- (a) The ageing analysis of trade payables which is based on the invoice date of trade payables is as follows:

	2025 RMB'000	2024 RMB'000
0 to 6 months	25,541	22,565
7 to 12 months	9	163
Over 12 months	439	430
	25,989	23,158

- (b) The maturity dates of bills payables are normally within 6 months.
- (c) The carrying amounts of trade and bills payables approximate their fair values and are all denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2025	2024
	RMB'000	RMB'000
Construction payables	21,723	32,523
Provision for demolition costs	955	3,213
Contract liabilities (Note 5 (i), (ii), (iii))	4,990	5,117
Payroll and welfare payables	6,524	5,964
Other tax payables	1,567	1,540
Deferred government grants	54,779	42,868
Others	7,213	9,681
	97,751	100,906
Less: Non-current portion		
Deferred government grants	(54,779)	(40,470)
Current portion	42,972	60,436

29 BORROWINGS

	2025	2024
	RMB'000	RMB'000
Bank borrowings (Note (i))	477,464	524,540
Other borrowings (Note (ii))	50,000	–
	527,464	524,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS (Continued)**(i) Bank borrowings**

	2025			2024		
	Current RMB'000	Non- current RMB'000	Total RMB'000	Current RMB'000	Non- current RMB'000	Total RMB'000
Secured bank borrowings	207,568	–	207,568	282,634	–	282,634
Unsecured bank borrowings	256,896	13,000	269,896	232,106	9,800	241,906
	464,464	13,000	477,464	514,740	9,800	524,540

As at 31 December, the Group's bank borrowings are repayable as follows:

	2025 RMB'000	2024 RMB'000
Repayable within 1 year and Between 1 and 2 years	464,464	514,740
	13,000	9,800
	477,464	524,540

- (a) As at 31 December 2025, the secured bank borrowings are secured by the Group's land use rights in Dalian with the carrying value of RMB68,207,000 (2024: RMB69,715,000) and property, plant and equipment with carrying value of RMB78,490,000 (2024: RMB78,298,000) and guaranteed by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS (Continued)

(i) Bank borrowings (Continued)

- (b) Under the terms of the secured bank borrowings, the subsidiary of the Company, Changmao Dalian, is required to maintain a debt-to-assets ratio of not more than 60% and 70% at the end of each annual period and shall not have negative operating cash flows for two consecutive years and in any year after commencement of operation of the production lines (the "Covenants"). If Changmao Dalian fails to meet these requirements, the banks have the right to require early repayment of the secured bank borrowings at any time. The debt-to-assets ratio of Changmao Dalian exceeded 70% as at 31 December 2025, and the operating cash flow was negative for the year ended 31 December 2025 and therefore did not meet the covenant requirements. As a result, the non-current portion of the secured bank borrowings amounting to RMB128,961,000 (2024: RMB206,474,000) with the original contractual repayment dates beyond 31 December 2026 were reclassified as current liabilities. As disclosed in Note 2 to the consolidated financial statements, management of the Company understood from the banks that they will not demand immediate repayment of the Project Loans if the Group repays the principals and interests thereon according to the original terms despite the non-compliance. The Company have accordingly considered that the repayment for these bank borrowings would follow the original repayment schedule as set out as below.

	2025 RMB'000	2024 RMB'000
Repayable within 1 year and	78,607	76,160
Between 1 and 2 years	73,425	77,976
Between 2 and 5 years	55,536	128,498
	207,568	282,634

Saved as disclosed above, the Group has complied with other covenants of its bank borrowings during both periods presented.

- (c) The bank borrowings are all denominated in RMB.
- (d) As at 31 December 2025, the fair value of the non-current borrowings approximate RMB13,000,000 (2024: RMB9,422,000). The carrying amount of the Group's current borrowings approximate their fair value.
- (e) As at 31 December 2025, the effective interest rate of the secured bank borrowings was 3.6% (2024: 4.4%) and the effective interest rate of the unsecured bank borrowings was 3.0% (2024: 3.1%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS (Continued)

(ii) Other borrowings

The Group's other borrowings arise from the liabilities under a sale and leaseback agreement. Under the sale and leaseback agreement, Changmao Dalian sold and leased back certain equipment at a sale price of RMB50,000,000. As at 31 December 2025, the net book value of those assets was RMB140,420,000. Upon the expiry of the lease term, the lessor will transfer the ownership of those assets on an "as-is" basis back to Changmao Dalian with no consideration. The Company provided guarantee for the liabilities of Changmao Dalian to perform its obligations under the sale and leaseback agreement. The sale and leaseback arrangement is, in substance, a borrowing from the lessor during the lease period which is secured by certain equipment of Changmao Dalian.

As at 31 December 2025, the Group's other borrowings are repayable as follows:

	2025 RMB'000
Repayable within 1 year and	13,179
Between 1 and 2 years	14,037
Between 2 and 5 years	22,784
	50,000

30 DEFERRED INCOME TAX

The balance of deferred tax assets comprises temporary differences attributable to:

	2025 RMB'000	2024 RMB'000
Provision	1,229	1,746
Lease liabilities	209	164
Deferred income	1	3
	1,439	1,913
Total deferred tax assets	1,439	1,913
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,439)	(1,693)
	-	220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred income and others RMB'000	Provisions RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	6	2,379	305	2,690
Charged to the consolidated statement of comprehensive income	(3)	(633)	(141)	(777)
At 31 December 2024	3	1,746	164	1,913
(Charged)/credited to the consolidated statement of comprehensive income	(2)	(517)	45	(474)
At 31 December 2025	1	1,229	209	1,439

The balance of deferred tax liabilities comprises temporary differences attributable to:

	2025 RMB'000	2024 RMB'000
Accelerated tax depreciation	1,962	2,133
Right-of-use assets	202	200
Fair value gain on patent	18	39
Total deferred tax liabilities	2,182	2,372
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,439)	(1,693)
	743	679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax liabilities during the year, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation RMB'000	Fair value gain on patents RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2024	2,206	61	341	2,608
Credited to the consolidated statement of comprehensive income	(73)	(22)	(141)	(236)
At 31 December 2024	2,133	39	200	2,372
(Credited)/charged to the consolidated statement of comprehensive income	(171)	(21)	2	(190)
At 31 December 2025	1,962	18	202	2,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 DEFERRED INCOME TAX (Continued)

Deferred income tax assets of tax loss are recognised when the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB95,531,000 (2024: RMB65,320,000) in respect of losses amounting to approximately RMB382,125,000 (2024: RMB261,280,000) that can be carried forward against future taxable income. The unrecognised tax losses will expire in the following years:

	2025 RMB'000	2024 RMB'000
2025	–	1,470
2026	3,800	3,800
2027	23,191	23,191
2028	57,597	57,597
2029	62,621	62,628
2030	139,779	24,999
2031	26,917	26,917
2032	11,353	11,353
2033	27,266	27,266
2034	29,601	22,059
	<hr/> 382,125	<hr/> 261,280

The Group had no unrecognised deferred income tax liabilities as at 31 December 2025 (2024: Nil).

31 LOANS FROM SHAREHOLDERS

The loans from shareholders are interest free, unsecured and repayable in 2029.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to net cash generated from/(used in) operations

	2025 RMB'000	2024 RMB'000
Loss before income tax	(64,963)	(67,582)
Adjustments for:		
Interest income	(632)	(846)
Investment income	(6)	(60)
Interest expense	17,225	11,360
Net exchange difference	153	(117)
Fair value loss/(gain) on derivative financial instruments	5	(104)
Amortisation of patents	133	133
Amortisation of other non-current assets	910	1,805
Amortisation of government grants related to assets	(2,696)	(1,483)
Depreciation of property, plant and equipment	49,794	40,280
Depreciation of right-of-use assets	3,009	3,052
Depreciation of investment property	358	346
Loss on disposal of property, plant and equipment	133	2,623
(Reversal of)/loss allowance on financial assets	(41)	205
Provision for inventories to net realisable value	6,754	14,693
Reversal of provision of demolition costs	(2,073)	–
Impairment for non-financial assets	10,735	928
	18,798	5,233
Changes in working capital:		
Decrease/(increase) in inventories	26,245	(25,972)
Decrease in pledged bank balances	1,108	501
(Increase)/decrease in trade and bills receivables, financial assets at fair value through other comprehensive income, other receivables, deposits and prepayments	(18,027)	4,456
Increase in trade and bills payables, contract liabilities, other payables and accruals	13,329	4,402
Cash generated from/(used in) operations	41,453	(11,380)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Non-cash investing activities

	2025 RMB'000	2024 RMB'000
Payments for property, plant and equipment and construction in progress through bills receivables	20,874	13,010

Non-cash transaction of acquisition of right-of-use assets during the 2025 financial year was disclosed in Note 18(i).

(c) Analysis of changes in financing activities during the year

	Lease liabilities		Borrowings		Shareholders' loans	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
At 1 January	1,094	2,032	524,540	492,613	10,500	–
Financing cash flows						
– New borrowings	–	–	302,300	389,637	–	10,500
– Repayment of principals	(898)	(946)	(367,101)	(366,058)	–	–
– Proceed from other borrowings	–	–	50,000	–	–	–
New leases	920	–	–	–	–	–
Other Changes						
– Interest expenses	51	80	–	–	–	–
– Interest paid (presented as operating cash flows)	(51)	(80)	–	–	–	–
– Foreign exchange adjustments	(7)	8	–	–	–	–
– Others	–	–	17,725	8,348	–	–
At 31 December	1,109	1,094	527,464	524,540	10,500	10,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 COMMITMENTS

Capital commitments for property, plant and equipment are as follows:

	2025 RMB'000	2024 RMB'000
Contracted but not recognised as liabilities	33,053	34,719

34 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	2025 RMB'000	2024 RMB'000
Salaries and other short-term employee benefits	1,880	1,461
Retirement benefit contributions	94	46
	<u>1,974</u>	<u>1,507</u>

(b) Balance of related parties

	2025 RMB'000	2024 RMB'000
Loans from shareholders (Note 31)		
Mr. Rui Xin Sheng	7,300	7,300
Hong Kong Xinsheng Pioneer Investment Company Limited	3,200	3,200
	<u>10,500</u>	<u>10,500</u>
Other Payables		
Hong Kong Xinsheng Pioneer Investment Company Limited	226	232

Hong Kong Xinsheng Pioneer Investment Company Limited is the beneficial owner of the Company.

Note: The transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from 31 December 2025 to the approval date of these financial statements by the Board of Directors on 30 March 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

BALANCE SHEET OF THE COMPANY

AS AT 31 December 2025

	2025 RMB'000	2024 RMB'000
ASSETS		
Non-current assets		
Patents	303	352
Property, plant and equipment	212,963	229,965
Right-of-use assets	5,252	5,377
Construction in progress	2,729	3,391
Investments in subsidiaries	344,562	397,356
Amounts due from subsidiaries	245,245	–
Deferred income tax assets	15,121	220
Prepayments	222	646
	826,397	637,307
Current assets		
Inventories	75,164	97,431
Trade and bills receivables	67,424	56,890
Other receivables, deposits and prepayments	6,777	10,243
Amounts due from subsidiaries	15,053	180,017
Loans to a subsidiary	106,663	143,811
Income tax recoverable	443	1,454
Financial assets at fair value through other comprehensive income	2,386	15,287
Derivative financial instruments	–	5
Pledged bank balances	–	1,108
Cash and bank balances	63,561	55,135
	337,471	561,381
Total assets	1,163,868	1,198,688
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	52,970	52,970
Reserves	Note (a) 783,957	840,731
Total equity	836,927	893,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY
(Continued)

BALANCE SHEET OF THE COMPANY (Continued)

AS AT 31 December 2025

	2025 RMB'000	2024 RMB'000
LIABILITIES		
Non-current liabilities		
Deferred income	3	3
Lease liabilities	224	419
Loans from shareholders	10,500	10,500
Bank borrowings	13,000	9,800
	23,727	20,722
Current liabilities		
Trade and bills payables	24,829	23,790
Contract liabilities, other payables and accruals	20,604	27,694
Lease liabilities	885	675
Bank borrowings	256,896	232,106
	303,214	284,265
Total liabilities	326,941	304,987
Total equity and liabilities	1,163,868	1,198,688

The balance sheet of the Company was approved by the Board of Directors on 30 March 2026 and was signed on its behalf.

Rui Xin Sheng
Director

Pan Chun
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY
(Continued)

Note (a) Reserve movement of the Company

	Share premium RMB'000	Statutory common reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	102,559	87,233	547	627,546	817,885
Profit and total comprehensive income for the year	–	–	–	22,846	22,846
Others	–	–	(306)	306	–
At 31 December 2024	102,559	87,233	241	650,698	840,731
	Share premium RMB'000	Statutory common reserve RMB'000	Special reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2025	102,559	87,233	241	650,698	840,731
Loss and total comprehensive loss for the year	–	–	–	(56,774)	(56,774)
Others	–	–	126	(126)	–
At 31 December 2025	102,559	87,233	367	593,798	783,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each of the directors and chief executive officers of the Company for the year ended 31 December 2025 is set out as follows:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
<i>Executive director</i>							
Mr. Rui Xin Sheng	320	480	-	-	-	-	800
Mr. Pan Chun (Note (i))	100	563	-	-	-	48	711
Ms. Rui Xiao Qian (Note (ii))	33	384	-	-	-	46	463
<i>Non-executive director</i>							
Mr. Zeng Xian Biao (Note (iii))	28	-	-	-	-	-	28
Mr. Yu Xiao Ping	60	-	-	-	-	-	60
Ms. Leng Yi Xin	60	-	-	-	-	-	60
Mr. Wang Jian Ping (Note (iv))	28	-	-	-	-	-	28
Mr. Lin Ze Yu (Note (v))	-	-	-	-	-	-	-
<i>Independent non-executive director</i>							
Mr. Zhou Zhi Wei	80	-	-	-	-	-	80
Mr. Shu Rong Xin	80	-	-	-	-	-	80
Ms. Cheng Mun Wah	80	-	-	-	-	-	80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of each of the directors and chief executive officers of the Company for the year ended 31 December 2024 is set out as follows:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
<i>Executive director</i>							
Mr. Rui Xin Sheng	320	480	-	-	-	-	800
Mr. Pan Chun (Note (i))	100	561	-	-	-	46	707
<i>Non-executive director</i>							
Mr. Zeng Xian Biao (Note (iii))	60	-	-	-	-	-	60
Mr. Yu Xiao Ping	60	-	-	-	-	-	60
Ms. Leng Yi Xin	60	-	-	-	-	-	60
Mr. Wang Jian Ping (Note (iv))	60	-	-	-	-	-	60
<i>Independent non-executive director</i>							
Mr. Zhou Zhi Wei	80	-	-	-	-	-	80
Mr. Shu Rong Xin	80	-	-	-	-	-	80
Ms. Cheng Mun Wah	80	-	-	-	-	-	80

Notes:

- (i) Mr. Pan Chun is also the chief executive officer of the Company.
- (ii) Ms. Rui Xiao Qian was appointed on 18 June 2025.
- (iii) Mr. Zeng Xian Biao retired on 17 June 2025.
- (iv) Mr. Wang Jian Ping retired on 17 June 2025.
- (v) Mr. Lin Ze Yu was appointed on 18 June 2025. Mr. Lin Ze Yu has waived director's fee amounting to RMB33,000 for the year ended 31 December 2025. Save for that, none of the Directors waived any emoluments during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2024: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2025, the Company did not pay consideration to any third parties for making available directors' services (2024: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2025, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2024: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2024: Nil).

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES

This note provides a list of other material 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 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS Accounting Standards.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.1 Subsidiaries (Continued)

(b) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Costs include 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 investments in subsidiaries is required upon receiving dividends 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.

38.2 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 directors that makes strategic decisions.

38.3 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 RMB, which is the Company's 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 or valuation where items are re-measured. 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 profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other (losses)/gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.3 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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 the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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 38.7).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated statement of comprehensive income.

38.5 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at historical costs less accumulated depreciation and accumulated impairment charges.

Historical costs include expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 years. Investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties' carrying amounts are written down immediately to their recoverable amounts if their carrying amounts are greater than their estimated recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.6 Construction in process

Construction in progress is stated at cost, which comprises construction costs, purchase costs, interest and other direct costs incurred in connection with the construction of buildings, plant and machinery for own use, less accumulated impairment losses, if any.

No depreciation is provided for in respect of construction in progress until the construction and installation is completed and ready for their intended use, upon which they will be transferred to appropriate categories of property, plant and equipment.

38.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts 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 FVLCO and VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.8 Financial assets

(a) *Classification*

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

- those to be measured subsequently at fair value (either through other comprehensive income (“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 financial 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.

(b) *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.

(c) *Measurement*

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

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “Other (losses)/gains, net”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.8 Financial assets (Continued)

(c) *Measurement (Continued)*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the statement of profit or loss in which it arises.

Losses allowance of financial assets are presented as separate line item in the consolidated statement of comprehensive income.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. 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 HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

38.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

38.10 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 attached conditions.

Note 6 provides further information on how the Group accounts for government grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

38.12 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

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.13 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

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.

38.14 Employees benefits

(a) *Pension obligations*

The Group contributes to various employee retirement benefit plans organised by municipal and provincial governments in Mainland China for its PRC based employees. Under these plans, the municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees of the Group. Contributions to these plans are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no further payment obligations once the contributions have been paid.

(b) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.15 Provisions

Provisions for environmental restoration, restructuring costs, onerous contracts and legal claims 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Before the separate provision for onerous contracts is established, the Group recognises impairment loss that has occurred on inventories dedicated to that used in fulfilling the contracts. 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

38.16 Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on the straight-line basis to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.17 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate applied was HKD Prime Rate and the effective interest rate of the Group's long-term bank borrowing.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all 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 low-value lease of warehouse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (Continued)

38.17 Leases (Continued)

If the Group (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, the accounting for sale and leaseback transactions depends on whether the transfer of the asset qualifies as a sale in accordance with HKFRS 15. If the transfer of an asset by the Group does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the asset, the Group shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. It shall account for the financial liability applying HKFRS 9.

38.18 Dividend distribution

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

FIVE YEAR SUMMARY

	2021	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated results					
Revenue	547,976	730,034	637,078	584,794	556,925
Operating profit/(loss)	85,824	89,373	(52,048)	(57,068)	(48,370)
Finance costs, net	(1,415)	(1,729)	(6,532)	(10,514)	(16,593)
Profit/(loss) before income tax	84,409	87,644	(58,580)	(67,582)	(64,963)
Income tax expense	(26,202)	(6,286)	(27,938)	(669)	(2,207)
Profit/(loss) for the year	58,207	81,358	(86,518)	(68,251)	(67,170)
Profit/(loss) for the year attributable to:					
Equity holders of the Company	58,318	81,423	(86,057)	(68,243)	(66,763)
Non-controlling interest	(111)	(65)	(461)	(8)	(407)
Dividends	–	40,787	–	–	–
Consolidated assets and liabilities					
Total non-current assets	639,489	844,709	904,179	950,965	908,671
Total current assets	317,026	362,046	338,317	298,793	271,054
Total current liabilities	(256,712)	(274,017)	(325,238)	(604,551)	(547,489)
Net current assets/(liabilities)	60,314	88,029	13,079	(305,758)	(276,435)
Total assets less current liabilities	699,803	932,738	917,258	645,207	632,236
Total non-current liabilities	(2,277)	(153,845)	(265,669)	(61,868)	(116,067)
Net assets	697,526	778,893	651,589	583,339	516,169
Earnings/(loss) per share					
– basic and diluted	RMB0.110	RMB0.154	RMB(0.162)	RMB(0.129)	RMB(0.126)

DEFINITIONS

Board	Board of Directors of the Company
CG Code	Code provisions of Corporate Governance Code in part 2 of Appendix C1 of the Listing Rules
Changmao or the Company	Changmao Biochemical Engineering Company Limited
Changmao Dalian	Changmao Dalian (New Material) Company Limited, a subsidiary of the Company
Changzhou Xinsheng	常州新生化科技開發有限公司 (Changzhou Xinsheng Biochemical Technology Development Company Limited*)
Chirechnology Centre	The Jiangsu Biochemical Chirechnology Research Centre
CIT	Corporate Income Tax
Concurrent Production Technology	The concurrent production technology for the production of fumaric acid and malic acid
Director(s)	Director(s) of the Company
Domestic Shares	Domestic shares of the Company
Foreign Shares	Foreign shares of the Company
GEM	GEM operated by the Exchange
Group	The Company and its subsidiaries
H Shares	H shares of the Company
HK Bio	Hong Kong Bio-chemical Advanced Technology Investment Company Limited
HK Xinsheng	Hong Kong Xinsheng Pioneer Investment Company Limited
Lianyungang Changmao	Changmao Biochemical Lianyungang Company Limited, a subsidiary of the Company

DEFINITIONS

Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange
Main Board	The securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for avoidance of doubt, it does not include GEM for the purpose hereof
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
PRC	The People's Republic of China
RMB	Renminbi
SFO	Securities and Futures Ordinance
Shanghai Changmao	Shanghai Changmao Biochemical Engineering Company Limited, a subsidiary of the Company
Shanghai Life Sci	Shanghai Medical Life Science Research Centre Limited, a subsidiary of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	Supervisor(s) of the Company
USD	United States Dollars