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Post Hearing Information Pack of

新琪安集團股份有限公司
(Newtrend Group Holding Co., Ltd.)

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

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Newtrend

新琪安集團股份有限公司
(Newtrend Group Holding Co., Ltd.)

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED]**

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

[REDACTED]
(listed in alphabetical order)

[REDACTED]

[REDACTED]

[REDACTED]

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The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be [**REDACTED**] or [**REDACTED**] in the United States, or to or for the account or benefit of any U.S. person (as defined in Regulation S), except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The [**REDACTED**] are being [**REDACTED**] and [**REDACTED**] only outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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IMPORTANT NOTICE TO [REDACTED]

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to **[REDACTED]** *in the* **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set forth in the section headed "Risk factors" in this document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a food-grade glycine and sucralose manufacturer with over 20 years of history.

We ranked first in the global food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023. With respect to food-grade glycine, our global market share was approximately 5.1% and 3.1% in terms of sales volume and sales revenue in 2023, respectively. In 2023, food-grade glycine accounted for approximately 0.31% in the global food additives market in terms of sales volume.

We have a diversified customer base across the world with around 150 customers in each year during the Track Record Period from a wide-range of industries. Certain of our customers are reputable multinational corporations, which have approximately 10 to 20 years of business relationship with our Group.

We have established an international supply chain service system. As at the Latest Practicable Date, we had five production plants located in the PRC, Indonesia and Thailand.

We have also developed a global sales network. During the Track Record Period, we sold our products to customers located in around 40 countries across 6 continents.

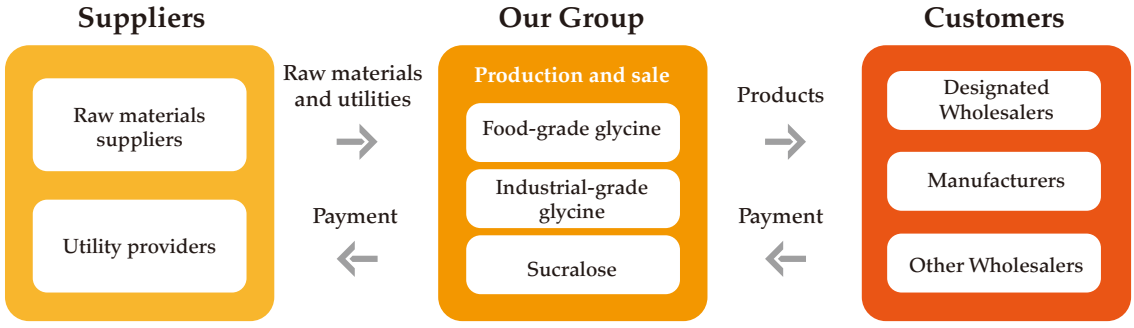
During the Track Record Period, we had (i) three production plants in the PRC, i.e. our Ji'an Plant, Yujiang Plant and Xizang Plant; (ii) one production plant in Thailand, i.e. our Thailand Plant; and (iii) one production plant in Indonesia, i.e. our Indonesia Plant. We had customers located in (a) Europe, including countries such as the United Kingdom, Germany and France; (b) North America, including countries such as the US and Canada; (c) Asia, including countries such as the PRC, Japan and Korea; (d) South America, including countries such as Brazil and Argentina; (e) Africa, including countries such as South Africa and Egypt; and (f) Oceania, including countries such as Australia and New Zealand.

During the Track Record Period, sale of sucralose accounted for approximately 49.6%, 51.1% and 41.8% of our total revenue respectively, sale of food-grade glycine accounted for approximately 40.6%, 40.1% and 42.0% of our total revenue respectively, and sale of industrial-grade glycine accounted for approximately 7.6%, 6.1% and 11.7% of our total revenue respectively.

OUR BUSINESS MODEL

During the Track Record Period, we were principally engaged in the manufacturing and sale of food-grade glycine, industrial-grade glycine and sucralose. Food-grade glycine is typically applied in pet food, daily consumer goods, fish paste, peanut butter, dairy products, soy sauce and other condiments. Industrial-grade glycine can be used as raw materials of food-grade glycine and raw materials of glyphosate, which is used as herbicide and crop desiccant. Sucralose is widely applied in various kinds of food and beverages as a sweetener with high intensity, such as soft drinks,confectionery and snacks, baked goods, syrups and nutritional supplements.

We procure raw materials and utilities from our suppliers for our production of food-grade glycine, industrial-grade glycine and sucralose, and sell to our customers including manufacturers, Designated Wholesalers and Other Wholesalers*(Note)*. The following diagram illustrates our business model:



Note: Designated Wholesalers are wholesalers designated by certain of our manufacturer customers to on-sell our products to such manufacturers. Other Wholesalers, which on-sell our products to their customers, are mainly local manufacturers in their respective regions to the best of our Directors' knowledge.

The table below sets out further information on our production plants as at the Latest Practicable Date:

	In the PRC			Indonesia	Thailand
	Ji'an Plant	Yujiang Plant	Xizang Plant	Indonesia Plant	Thailand Plant
Principal products produced	Sucralose	Food-grade glycine	Industrial-grade glycine (During the Track Record Period, over 50% of industrial-grade glycine produced was supplied to Yujiang Plant as raw materials for the production of food-grade glycine)	Food-grade glycine	Sucralose

	In the PRC			Indonesia	Thailand
	Ji'an Plant	Yujiang Plant	Xizang Plant	Indonesia Plant	Thailand Plant
Main targeted sales regions	The PRC and overseas markets	The PRC and overseas markets (except the United States)	The PRC	The United States and Europe	Overseas markets

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will help drive our growth in the future:

- we ranked (i) first in the global food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023; and (ii) fifth in the global sucralose manufacturing industry in terms of sales volume and sales revenue in 2023, with over 20 years of history;
- we have a diversified customer base;
- we have established an international supply chain service system;
- we have product development and R&D capabilities; and
- we have an experienced and visionary management team.

For details, please refer to the section headed "Business — Our strengths" in this document.

OUR STRATEGIES

To achieve our strategic goals more effectively, we intend to pursue the following strategies:

- continuous prioritisation and focus on overseas markets;
- diversification of our product offerings through continuous development of new products;
- expansion of our international sales network; and
- enhancement of our R&D capabilities.

For details, please refer to the section headed "Business — Our strategies" in this document.

CUSTOMERS AND SUPPLIERS

Customers

Our customers primarily comprise (i) manufacturers, among which include but not limited to manufacturers in the industries of food and beverages, pet food, daily consumer goods, confectionery and snacks, nutritional supplements and chemical products, which use our products as raw materials for the production of their own products; (ii) the Designated Wholesalers, which are wholesalers designated by certain of our manufacturer customers to on-sell our products to such manufacturers; and (iii) Other Wholesalers, which on-sell our products to their customers which are mainly local manufacturers in their respective regions to the best of our Directors' knowledge.

Among our customers included reputable multinational corporations such as our (i) American Beverage Customer, a world-renowned multinational corporation manufacturing one of the world's most popular carbonated beverages; (ii) Swiss Food and Beverage Customer, a world-famous multinational corporation which is famous for its branded coffee, chocolate and cereals; (iii) American Oral Care Products Customer, one of the world's largest oral care products manufacturers; (iv) American Confectionery Customer, a globally-leading confectionery manufacturer; and (v) American Snacks Customer, a top snacks manufacturer in the world.

Sale to our five largest customers in each year during the Track Record Period accounted for approximately 56.2%, 53.9% and 55.6% of our total revenue respectively, and sale to our largest customer in each year during the Track Record Period accounted for approximately 22.9%, 16.5% and 17.3% of our total revenue, respectively.

Suppliers

Our suppliers mainly include raw materials suppliers and utility providers.

Purchase from our five largest suppliers in each year during the Track Record Period accounted for approximately 34.8%, 35.5% and 35.4% of our total purchases respectively, and purchase from our largest supplier in each year during the Track Record Period accounted for approximately 8.2%, 10.2% and 9.6%, respectively.

U.S. TARIFF ON OUR PRODUCTS

Food-grade glycine

PRC

As advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from the PRC to the US is subject to the General Glycine Tariff (4.2%) and the Additional Glycine Tariff (additional (i) anti-dumping duty at the rate of 155.89% *ad valorem*; (ii) countervailing rate of 144.01% *ad valorem*; and (iii) section 301 of Trade Act of 1974 rate of 25% *ad valorem*).

Subsequent to the Track Record Period and as at the Latest Practicable Date, in addition to the General Glycine Tariff and the Additional Glycine Tariff, glycine exported from the PRC to the US is further subject to the US 2025 IEEPA Tariff (20%) and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%).

During the Track Record Period and up to the Latest Practicable Date, we did not sell any food-grade glycine that was manufactured in the PRC to customers in the United States, and only exported our food-grade glycine that was produced at our Indonesia Plant to our customers in the US.

For further details, please refer to the section headed "Regulatory overview — U.S. laws and regulations" in this document.

Indonesia

In order to diversify the risk brought by extra duty imposed by the United States, we produced food-grade glycine in our Indonesia Plant and export our food-grade glycine to our customers in the United States from Indonesia.

As advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from Indonesia to the US is only subject to the General Glycine Tariff (4.2%), which is applicable to our food-grade glycine exported from Indonesia to the United States.

Subsequent to the Track Record Period and as at the Latest Practicable Date, in addition to the General Glycine Tariff, glycine exported from Indonesia to the US is further subject to the US Reciprocal Tariff (as at the Latest Practicable Date, 10%).

In light of (i) the General Glycine Tariff, the Additional Glycine Tariff, the US 2025 IEEPA Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) imposed on food-grade glycine exported from the PRC to the US, as compared to the General Glycine Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) imposed on food-grade glycine exported from Indonesia to the US; and (ii) our customers in the US are generally willing to mitigate the risk of international trade policies in order to ensure the stable supply of food-grade glycine, our Directors believe that we, as a glycine manufacturer that sell glycine manufactured outside the PRC to customers in the US, have a bargaining power to set higher selling prices for sale of glycine to customers in the US. Accordingly, the average selling price of our food-grade glycine for overseas sales is generally higher than that for export and domestic sales. For further details, please refer to the section headed "Business — Our customers — Anti-dumping duties" in this document.

Sucralose

PRC

As advised by our legal advisers as to anti-dumping law, during the Track Record Period, our sucralose exported from China to our customers in the United States are subject to general tariff rate of 3.7% *ad valorem*.

Subsequent to the Track Record Period and as at the Latest Practicable Date, in addition to the general tariff rate of 3.7% *ad valorem*, sucralose exported from China to our customers in the United States is further subject to the US 2025 IEEPA Tariff (20%).

Thailand

During the Track Record Period and up to the Latest Practicable Date, sucralose exported from Thailand to the US is subject to the general tariff rate of 3.7% *ad valorem*.

As advised by our legal advisers as to anti-dumping law, sucralose exported to the US is not subject to the US Reciprocal Tariff, since sucralose falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025.

Analysis of impact of the U.S. tariff on our Group

Subsequent to the Track Record Period, the US government has introduced several rounds of tariffs on goods exported to the US from various countries, which have had or would have impact on the whole US import market. The Company will monitor the latest policies on tariff of the US government closely and discuss with its customers to respond to the changes in the US tariff.

Based on the current development, our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that although the US tariff would have impact on the whole US import market, our business operation and financial performance might not be materially and adversely affected by the US 2025 IEEPA Tariff and the US Reciprocal Tariff at this stage based on the following factors:

(a) during the Track Record Period and up to the Latest Practicable Date, we only exported our food-grade glycine that was produced at our Indonesia Plant to our customers in the US. Our revenue derived from the sale of food-grade glycine manufactured in Indonesia and exported to customers in the US amounted to approximately 4.0%, 6.4% and 17.3% of our total revenue for each of FY2022, FY2023 and FY2024, respectively;

(b) our revenue derived from the sale of sucralose manufactured in the PRC and exported to customers in the US amounted to approximately 5.0%, 11.6% and 17.9% of our total revenue for each of FY2022, FY2023 and FY2024, respectively, whereas our revenue derived from the sale of sucralose manufactured in Thailand and exported to customers in the US amounted to Nil, Nil and approximately 2.5% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. According to CIC, the sales volume of sucralose produced in the PRC accounted for over 80% of the global sales volume of sucralose in 2024. As such, customers in the US face limited options for alternative sucralose suppliers. In the event that it is agreed between our customers and us that we would be responsible for such additional tariff, we believe we have bargaining power to adjust the selling price thereof;

(c) the demand for our products is relatively stable, given that (i) our end customers are mostly manufacturers in industries such as food and beverages, pet food and confectionery and snacks, which use our products as part of the raw materials for the production of their own products, which are consumer goods with a solid demand; and (ii) we have stable and long-lasting business relationships with our customers, with certain reputable multinational corporations having approximately 10 to 20 years of business relationship with our Group, our Directors believe that the US 2025 IEEPA Tariff and the US Reciprocal Tariff would not have a significant impact on our customers' orders based on the current development. Subsequent to the Track Record Period and as at the Latest Practicable Date, we had not experienced any cancellation of orders from our customers, and none of our customers had requested a change in delivery terms to DDP so as to transfer the risk of potential further increase in tariffs to us in the future; and

(d) according to the CIC Report, we were the only PRC food-grade glycine manufacturer and the only PRC sucralose manufacturer with overseas production plant among the top five PRC food-grade glycine manufacturers and the top five PRC sucralose manufacturers as at 31 December 2024.

For further details on the analysis of impact of the U.S. tariff on our Group, please refer to the section headed "Business — Our customers — Analysis of impact of the U.S. tariff on our Group" in this document.

SALES TO REGIONS WITH INTERNATIONAL SANCTIONS EXPOSURE

A number of our customers are reputable multinational cooperations with whom we have approximately 10 to 20 years of business relationship. These customers have global operations and naturally we have expanded the business relationship to support their demands for our products outside of China, including the Identified Regions, namely, Egypt, Guatemala, Hong Kong, Russia (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson) and Turkey. For example, in the case of Russia, our sales have commenced since 2004. During the Track Record Period, we continued to sell sucralose and food-grade glycine to customers located in the Identified Regions for human food and pet food purposes. While none of the Identified Regions (in particular, Russia) are Sanctioned Countries, all of these regions are subject to certain forms of International Sanctions programmes administered by the Relevant Sanctions Authorities. In particular, Russia has been subject to sweeping sanctions by the Western countries since February 2022.

As our sucralose and food-grade glycine products sold to Russia were food additives and were being sold for human food and pet food purposes, they fell within the scope of Russian General License No. 6D issued by OFAC, which is to ensure humanitarian aid and essential supplies can still flow into Russia despite of the sanctions. In addition, none of our counterparty customers in the Identified Regions during the Track Record Period were, and are on the SDN list or other restricted parties lists maintained by OFAC and other Relevant Sanctions Authorities.

Based on these key facts and the other relevant facts, and subject to our full implementation of and ongoing compliance with the sanctions compliance measures, our International Sanctions Legal Advisers are of the view that our business dealings in the Identified Regions are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant E.U. and U.N. sanctions.

Our Directors confirmed that all sanctions compliance measures have been implemented. Our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that our business activities in the Identified Regions are not subject to any material international sanction risks. For further details, please refer to the sections headed "Business — Sales to regions with International Sanctions exposure", "Risk factors — Risks relating to International Sanctions" and "Regulatory overview — International Sanctions laws and regulations" in this document.

KEY FINANCIAL AND OPERATIONAL DATA

The following tables set out selected financial and operational data from our selected consolidated financial information for the years indicated. For further details, please refer to the section headed "Financial information" in this document.

Selected information from consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	761,499	446,938	568,867
Cost of sales	(566,640)	(367,039)	(466,967)
Gross profit	194,859	79,899	101,900
Other income, gains and losses	14,711	23,784	17,681
Selling and distribution expenses	(3,037)	(4,706)	(4,753)
Administrative expenses	(37,172)	(29,042)	(30,867)
Research and development costs	(13,962)	(17,216)	(16,601)
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	(1,126)	(867)	(5,633)
Finance costs	(4,957)	(3,470)	(2,786)
Profit before tax	149,316	48,382	48,734
Income tax expense	(27,295)	(3,720)	(5,328)
Profit for the year	122,021	44,662	43,406

Non-HKFRS measure

Non-HKFRS measure is not a standard measure under HKFRSs. We believe that non-HKFRS measure set out below provides useful information to **[REDACTED]** about our operating performance, and enhances the overall understanding of our past performance and future prospects in the same manner as our management.

We define adjusted net profit (non-HKFRS measure) as profit for the year adjusted by the **[REDACTED]** expenses. **[REDACTED]** expenses were incurred for the purpose of the **[REDACTED]**.

The non-HKFRS measure shall not be considered in isolation form, or as substitute for analysis of, our consolidated statement of profit or loss or financial condition as reported under HKFRSs. In addition, the non-HKFRS measure may be defined separately from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The table below sets out our adjusted net profit (non-HKFRS measure) for each respective year during the Track Record Period:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	122,021	44,662	43,406
Adjusted for:			
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit (non-HKFRS measure) for the year	122,021	44,662	53,613

Summary of segment data

Revenue by product type and by sales origin and destination

The following table sets out the breakdown of our revenue, sales volume and average selling price by product type and by sales origin and destination for the periods indicated:

	For the year ended 31 December											
	2022				2023				2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
				RMB				*RMB*				*RMB*
	RMB'000	*%*	*Ton*	*per ton*	*RMB'000*	*%*	*Ton*	*per ton*	*RMB'000*	*%*	*Ton*	*per ton*
Food-grade glycine												
– Overseas sales[2]	51,871	6.8	1,207	42,975	32,865	7.3	1,015	32,379	98,604	17.3	2,980	33,089
– Export sales[3]	247,765	32.6	7,706	32,152	144,765	32.4	9,393	15,412	137,981	24.3	10,288	13,412
– Domestic sales[4]	9,295	1.2	512	18,154	1,788	0.4	134	13,343	2,420	0.4	191	12,670
Sub-total	308,931	40.6	9,425	32,778	179,418	40.1	10,542	17,019	239,005	42.0	13,459	17,758
Industrial-grade glycine												
– Overseas sales[2]	–	–	–	–	–	–	–	–	–	–	–	–
– Export sales[3]	–	–	–	–	–	–	–	–	–	–	–	–
– Domestic sales[4]	58,098	7.6	2,659	21,850	27,233	6.1	2,611	10,430	66,371	11.7	6,711	9,890
Sub-total	58,098	7.6	2,659	21,850	27,233	6.1	2,611	10,430	66,371	11.7	6,711	9,890
Sucralose[1]												
– Overseas sales[2]	–	–	–	–	–	–	–	–	13,989	2.5	44	317,932
– Export sales[3]	329,229	43.2	1,039	316,871	200,131	44.8	805	248,610	200,324	35.2	1,060	188,985
– Domestic sales[4]	48,195	6.4	172	280,203	28,155	6.3	159	177,075	23,158	4.1	181	127,945
Sub-total	377,424	49.6	1,211	311,663	228,286	51.1	964	236,811	237,471	41.8	1,285	184,802

	For the year ended 31 December											
	2022				2023				2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
	RMB'000	*%*	*Ton*	*RMB per ton*	*RMB'000*	*%*	*Ton*	*RMB per ton*	*RMB'000*	*%*	*Ton*	*RMB per ton*
Others[5]												
– Overseas sales[2]	689	0.1			267	0.1			1,524	0.2		
– Export sales[3]	–	–			1,657	0.4			–	–		
– Domestic sales[4]	16,357	2.1			10,077	2.2			24,496	4.3		
Sub-total	17,046	2.2			12,001	2.7			26,020	4.5		
	761,499	100.0			446,938	100.0			568,867	100.0		

Notes:

(1) Due to various factors, including difficulties in the supply and timely delivery of raw materials and the hindrance in our production efficiency, our production capacity fluctuated during the Track Record Period. In the event that our customers required us to provide sucralose urgently, we would procure sucralose from Independent Third Parties to re-sell to our customers. Such sale of sucralose accounted for less than 10% of our total revenue for each of FY2022, FY2023 and FY2024.

(2) Overseas sales mainly represented transactions with both manufacturing and sale of our products which took place outside the PRC.

(3) Export sales mainly represented transactions with manufacturing of our products which took place in the PRC, but they were exported for sales outside the PRC.

(4) Domestic sales mainly represented transactions with both manufacturing and sale of our products which took place within the PRC.

(5) Others mainly include (i) our Group's by-products produced during our manufacturing process, such as sulfite and ammonium chloride; and (ii) our other products, such as mogroside (羅漢果甜苷), carrageenan and agar powder.

As manufacturer customers would generally be willing to mitigate the risk of tariffs and other international trade policies in order to ensure stable supply of raw materials from its suppliers, we were able to have a higher range of average selling price of food-grade glycine produced at our Indonesia Plant, as compared to that at our Yujiang Plant during the Track Record Period. Similarly, the average selling price of sucralose produced at our Thailand Plant is higher than that at our Ji'an Plant during the Track Record Period.

Although the selling prices of food-grade glycine and sucralose produced at our overseas plants are higher than that of those produced at our plants in the PRC during the Track Record Period, such prices are still lower than that of our major overseas competitors. During the Track Record Period, the average selling price of food-grade glycine produced at our Indonesia Plant ranged from approximately RMB32,379 per ton to RMB42,975 per ton, which is lower than that of food-grade glycine produced by our major overseas competitors ranging from approximately RMB40,000 per ton to RMB70,000 per ton, as confirmed by the CIC. On the other hand, the average selling price of sucralose produced at our Thailand Plant for the year ended 31 December 2024 was approximately RMB317,932 per ton, which is also lower than that of sucralose produced by our major overseas competitors ranging from approximately RMB550,000 per ton to RMB650,000 per ton, as confirmed by the CIC.

Revenue by customer type

The following table sets out the breakdown of our revenue by customer type for the periods indicated:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturers	478,129	62.8	263,487	59.0	236,887	41.6
Designated Wholesalers	118,768	15.6	41,187	9.2	37,484	6.6
Other Wholesalers	164,602	21.6	142,264	31.8	294,496	51.8
Total	761,499	100.0	446,938	100.0	568,867	100.0

Revenue by geographical region

The following table sets out the breakdown of our revenue by geographical region for the periods indicated:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Europe[(1)]	244,599	32.1	163,297	36.5	119,182	20.9
North America[(2)]	70,672	9.3	82,133	18.4	233,786	41.1
Asia (excluding Mainland China)[(3)]	97,912	12.9	69,988	15.7	55,149	9.7
Mainland China	131,945	17.3	67,253	15.0	116,445	20.5
South America[(4)]	102,038	13.4	37,687	8.4	28,509	5.0
Africa[(5)]	95,433	12.5	20,445	4.6	8,910	1.6
Oceania[(6)]	18,900	2.5	6,135	1.4	6,886	1.2
Total	761,499	100.0	446,938	100.0	568,867	100.0

Notes:

(1) Europe: We covered, among others, the United Kingdom, Germany and France.

(2) North America: We covered, among others, the US and Canada.

(3) Asia (excluding Mainland China): We covered, among others, Japan and Korea.

(4) South America: We covered, among others, Brazil and Argentina.

(5) Africa: We covered South Africa and Egypt.

(6) Oceania: We covered Australia and New Zealand.

Revenue decreased by approximately 41.3% from approximately RMB761.5 million for FY2022 to approximately RMB446.9 million for FY2023, primarily attributable to the decrease in both of sale of food-grade glycine and sucralose for FY2023 as a result of the decline in average selling price. The decrease in average selling price of food-grade glycine was in line with the decline in average export market price of food-grade glycine during the same period. On the other hand, the scale of decrease in our average selling price of sucralose between FY2022 and FY2023 was not in line with the scale of the decrease in average market price of sucralose during the same period. This was mainly because (a) we did not participate in the Sucralose Price War by selling less sucralose at a selling price that we found acceptable to sustain certain gross profit margin; and (b) over half of our sale of sucralose in FY2023, in terms of revenue, was derived from the sale governed by sales framework agreements that were typically entered before FY2023.

Revenue increased by approximately 27.3% from approximately RMB446.9 million for FY2023 to approximately RMB568.9 million for FY2024, mainly due to the increase in the revenue from each of our major products between FY2023 and FY2024, mainly as a result of an increase in sales volume of each of our major products during the same period.

For details of reasons for our fluctuation in our revenue during the Track Record Period, please refer to the section headed "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Revenue" in this document.

Market price and average selling price of our products

Food-grade glycine

The average market price of food-grade glycine in the PRC decreased during the Track Record Period. Such decrease was mainly due to the recovered production of food-grade glycine following the relaxation of relevant PRC's environmental policies and decline in raw material costs. Accordingly, there was a decrease in the average selling price of our food-grade glycine for export sales and domestic sales respectively between 2022 and 2024, which were in line with the decreasing trend of the average market price of food-grade glycine in the PRC between 2022 and 2024.

Sucralose

In 2022, leading sucralose manufacturers expanded their respective production volume, which resulted in an oversupply of sucralose in the market. They were willing to sell products at extreme low price to reduce their storage, with an attempt to undercut other industry players to expand a greater market share, triggering the Sucralose Price War. Accordingly, each of the average export market price and the average domestic market price of sucralose dropped significantly from 2022 to 2023, and we decreased our average selling price of sucralose in FY2023 and further decreased our selling price of sucralose at the beginning of 2024 in order to maintain our customer base. In August and September 2024, several major sucralose manufacturers in the PRC increased their respective selling price of sucralose in the PRC, which indicated the end of the Sucralose Price War, and the market price of sucralose gradually resumed to normal thereafter.

For further details regarding the historical fluctuations in the price of food-grade glycine and sucralose, please refer to the sections headed "Industry overview — Overview of global glycine industry — Price analysis of food-grade glycine", "Industry overview — Overview of global sucralose industry — Price analysis of sucralose" and "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Revenue" in this document.

Cost of sales

The following table sets out the breakdown of our cost of sales by nature for the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials and goods used	323,197	57.0	174,771	47.6	264,405	56.6
Utility costs	108,772	19.2	87,840	23.9	90,930	19.5
Staff costs	30,045	5.3	33,433	9.1	30,244	6.5
Depreciation expenses	33,306	5.9	32,565	8.9	32,983	7.1
Transportation costs	29,766	5.3	16,684	4.5	27,226	5.8
Provision for write-down of inventory	12,411	2.2	6,142	1.7	3,961	0.8
Others*(Note)*	29,143	5.1	15,604	4.3	17,218	3.7
Total	566,640	100.0	367,039	100.0	466,967	100.0

Note: Others mainly represented repair and maintenance fees, business and other taxes and surcharges.

Cost of sales decreased by approximately 35.2% from approximately RMB566.6 million for FY2022 to approximately RMB367.0 million for FY2023, primarily attributable to the decrease in our raw materials and goods used as a result of the decreasing trend in the price of raw materials.

Cost of sales increased by approximately 27.2% from approximately RMB367.0 million for FY2023 to approximately RMB467.0 million for FY2024, primarily attributable to the increase in (i) our raw materials and goods used as a result of the increase in our sales volume; and (ii) transportation costs as a result of the increase in our sales volume and the Red Sea crisis occurred in late 2023.

For details of reasons for our fluctuation in our cost of sales during the Track Record Period, please refer to the section headed "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Cost of sales" in this document.

Profit for the year

Mainly due to the (i) decrease in gross profit generated from (a) food-grade glycine as there was a decrease in the average selling price of food-grade glycine for export sales, which was in line with the decreasing trend of the average export market price of food-grade glycine between 2022 and 2023; and (b) sucralose since there was a decrease in average selling price and sales volume for export sales of sucralose between FY2022 and FY2023; and (ii) reversal from gross profit generated from industrial-grade glycine in FY2022 to gross loss in FY2023 as a result of the significant decrease in average selling price of industrial-grade glycine between the same period, which was in line with the

decrease in average market domestic price, our profit decreased by approximately 63.4% from approximately RMB122.0 million for FY2022 to approximately RMB44.7 million for FY2023.

Our profit remained relatively stable at approximately RMB44.7 million for FY2023 and approximately RMB43.4 million for FY2024.

Summary of consolidated statements of financial position

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	390,913	340,279	394,301
– Inventories	90,123	98,087	91,903
– Trade and bills receivables	102,536	118,514	224,613
Current liabilities	314,069	272,862	325,608
– Trade and bills payables	72,877	70,216	96,285
– Bank borrowings	77,100	59,600	74,700
Net current assets	76,844	67,417	68,693
Non-current assets	335,748	372,930	418,607
– Property, plant and equipment	302,631	344,262	386,389
Non-current liabilities	12,901	5,417	8,181
– Bank borrowings	10,000	–	–
Net assets	399,691	434,930	479,119

Our net current assets decreased slightly from approximately RMB76.8 million as at 31 December 2022 to approximately RMB67.4 million as at 31 December 2023. Such decrease was mainly due to decrease in bank balances and cash from approximately RMB179.3 million at 31 December 2022 to approximately RMB108.0 million as at 31 December 2023.

Our net current assets remained relatively stable at approximately RMB67.4 million as at 31 December 2023 and approximately RMB68.7 million as at 31 December 2024.

Our net assets increased from approximately RMB399.7 million as at 31 December 2022 to approximately RMB434.9 million as at 31 December 2023, primarily due to the profit for the year of approximately RMB44.7 million, partially offset by dividend declared of approximately RMB11.1 million.

Our net assets increased from approximately RMB434.9 million as at 31 December 2023 to approximately RMB479.1 million as at 31 December 2024, primarily due to the profit for the year of approximately RMB43.4 million.

Please refer to section headed "Financial information — Description of certain items of consolidated statements of financial position" in this document for further details of our financial position.

Trade receivables

Our trade receivables increased from approximately RMB97.3 million as at 31 December 2022 to approximately RMB113.0 million as at 31 December 2023, mainly because certain of our major customers with long credit period placed orders with us towards the end of FY2023.

Our trade receivables increased from approximately RMB113.0 million as at 31 December 2023 to approximately RMB220.2 million as at 31 December 2024, mainly because (i) we increased sale to Customer E and Customer D to which a relatively longer credit period was granted and which stockpiled towards the end of FY2024 in anticipation of trade tariffs to be imposed on the PRC products exported into the US after the return of the Trump Administration in early 2025; and (ii) the longer credit periods granted to several major customers due to the then uncertain economic environment and after considering our long-lasting and credible relationship with such customers.

Please refer to the section headed "Financial information — Description of certain items of consolidated statements of financial position — Trade receivables and bills receivables — Trade receivables" in this document for further details of our trade receivables.

Key financial ratios

	For the year ended/As at 31 December		
	2022	**2023**	**2024**
Gross profit margin	25.6%	17.9%	17.9%
Net profit margin	16.0%	10.0%	7.6%
Return on equity	30.5%	10.3%	9.1%
Return on total asset	16.8%	6.3%	5.3%
Current ratio	1.2	1.2	1.2
Quick ratio	1.0	0.9	0.9
Gearing ratio	0.46	0.36	0.36
Net debt to equity ratio	0.02	0.12	0.26

Calculation of the above key financial ratios is set out in the section headed "Financial information — Key financial ratios" in this document.

Summary of consolidated statements of cash flows

The following table sets out our cash flows for the periods indicated:

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flow before movement in working capital	220,845	86,807	94,853
Change in working capital	(19,130)	(46,624)	(82,581)
Income tax paid	(9,318)	(13,983)	(7,972)
Net cash generated from operating activities	192,397	26,200	4,300
Net cash used in investing activities	(43,332)	(56,955)	(72,081)
Net cash generated from/(used in) financing activities	(51,555)	(44,662)	7,288
Net increase/(decrease) in cash and cash equivalents	97,510	(75,417)	(60,493)
Cash and cash equivalents at beginning of the year	82,501	178,246	105,194
Effects of exchange rate changes on cash and cash equivalents	(1,765)	2,365	1,428
Cash and cash equivalents at end of the year	178,246	105,194	46,129

RECENT DEVELOPMENT

For the three months ended 31 March 2025, there was an increase in the sales volume of our products, in particular, food-grade glycine and sucralose, which both increased significantly by over 40%, as compared to the same period in 2024. During the three months ended 31 March 2025, the market price of sucralose in the PRC ranged from approximately RMB180,000 per ton to approximately RMB200,000 per ton, which is higher than the range of market price of sucralose in the PRC during the three months ended 31 March 2024 ranging from approximately RMB120,000 per ton to approximately RMB130,000 per ton. The market price of food-grade glycine in the PRC during the three months ended 31 March 2024 increased from the range of approximately RMB12,000 per ton to RMB13,000 per ton, to the range of approximately RMB13,000 per ton to RMB14,000 per ton during the three months ended 31 March 2025.

As set out in the section headed "Business — Our strategies" in this document, one of our strategies is to prioritise and focus on overseas markets continuously via, amongst others, producing isomalt in our Thailand Plant. We intend to use part of the [**REDACTED**] of the [**REDACTED**] for production of isomalt in our Thailand Plant. Please refer to the section headed "Future plans and [**REDACTED**] — [**REDACTED**]" in this document for further details. It is expected that the construction works for the production line of isomalt will be completed in the second quarter of 2025. As at the Latest Practicable Date, construction works for the production line of isomalt were substantially completed, and we expect to commence sale of isomalt in the first half of 2025.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming (i) the [**REDACTED**] is not exercised; and (ii) an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] stated in this document), resulting in the gross [**REDACTED**] of approximately HK$[**REDACTED**] million and [**REDACTED**] expenses of approximately HK$[**REDACTED**] million.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for production of isomalt in our Thailand Plant;
- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for production of seaweed dietary fibre and serine;
- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for enhancement of our R&D capabilities; and
- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our working capital and general corporate purposes.

The above allocation of [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**]. For further details, please refer to the section headed "Future plans and [**REDACTED**]" in this document.

[REDACTED] EXPENSES

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately RMB[**REDACTED**] million assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), accounting for approximately [**REDACTED**]% of gross [**REDACTED**]. Among such estimated total [**REDACTED**] expenses, (i) [**REDACTED**]-related expenses,

including [**REDACTED**], are expected to be approximately RMB[**REDACTED**] million; and (ii) non-[**REDACTED**]-related expenses of approximately RMB[**REDACTED**] million, comprising (a) fees and expenses of the Sole Sponsor, legal advisers and reporting accountant of approximately RMB[**REDACTED**] million; and (b) other fees and expenses of approximately RMB[**REDACTED**] million.

Among the estimated aggregate amount of our [**REDACTED**] expenses, (i) approximately RMB[**REDACTED**] million was charged to the consolidated statements of profit or loss and other comprehensive income during FY2024; (ii) approximately RMB[**REDACTED**] million is expected to be charged to the consolidated statements of profit or loss and other comprehensive income after the Track Record Period; and (iii) approximately RMB[**REDACTED**] million will be deducted from the equity. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED] STATISTICS

All statistics in this table are based on the assumptions that the [**REDACTED**] is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
[**REDACTED**][(1)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] attributable to equity shareholders of our Company per Share[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares, comprising [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares, expected to be in issue following completion of the [**REDACTED**].

(2) The unaudited [**REDACTED**] adjusted net tangible assets attributable to equity shareholders of our Company per Share is arrived at after the adjustments referred to in Appendix II to this document.

DIVIDEND

We paid interim dividend of approximately RMB8.6 million to our Shareholders during FY2022 pursuant to a resolution relating to the declaration of interim dividend of the same amount passed in the Shareholders' meeting on 16 November 2022. For FY2023, we paid a final dividend of approximately RMB11.1 million to our Shareholders pursuant to a resolution relating to the declaration of final dividend of the same amount passed in the Shareholders' meeting on 30 June 2023. We did not declare any dividends during FY2024.

The Board has absolute discretion as to whether to declare any dividend for any year and, if it decides to declare a dividend, how much to declare. The Board will submit such proposal in respect of dividend payments to the Shareholders' general meeting for approval. The amount of any dividends to be declared or paid will depend on, among other things, applicable laws and regulations, our results of operation, cash flows, financial condition and operating and capital requirements. Holders of our Shares will be entitled to receive dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

As at the Latest Practicable Date, we did not have any specific dividend policy nor any pre-determined dividend payout ratio.

COMPETITIVE LANDSCAPE

According to the CIC Report, global and the PRC's sucralose markets and food-grade glycine markets are relatively competitive.

Sucralose

The sucralose market in the PRC is highly concentrated, where few manufacturers dominate while smaller manufacturers still exist. Under such circumstances, manufacturers tend to compete by lowering product prices to gain a larger market share, triggering multiple price wars in the PRC sucralose market during the past few years. The recent Sucralose Price War in the PRC's sucralose market, which began from 2022, is mainly attributable to the oversupply in the sucralose market as a result of aggressive expansion in production capacity by manufacturers in the past two years. As market supply of sucralose exceeds the demand, manufacturers are willing to sell product in extreme low price to reduce the storage. In addition, leading companies, driven by the imperative to preserve their respective market shares and to curb the influx of minor competitors that could potentially undermine the sustainable growth and profitability of the industry, have triggered the price war. Compared with small-scale companies, leading companies are less affected by the price war as they usually enjoy lower unit costs with a large number of long-term orders. During the Track Record Period, the Sucralose Price War mainly affected our sale of sucralose manufactured in the PRC, and did not affect our overseas sale of sucralose. For details regarding the Sucralose Price War and its impact on us during the Track Record Period, please refer to the sections headed "Industry overview — Overview of global sucralose industry — Price analysis of sucralose" and "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Revenue — Sucralose" in this document respectively. In August and September 2024, several major sucralose manufacturers in the PRC increased their respective selling price of sucralose in the PRC (with market price of sucralose in the PRC increased from approximately RMB105,789.5 per ton in June 2024 to approximately RMB191,333.3 per ton in September 2024), which indicated the end of the Sucralose Price War. During the first quarter of 2025, the market price of sucralose in the PRC ranged from approximately RMB180,000 per ton to approximately RMB200,000 per ton. As confirmed by CIC, such price is stable during 2025, and the Sucralose Price War has ended.

Food-grade glycine

In 2023, the top five food-grade glycine manufacturers collectively held around 18.7% of the total global market share in terms of sales volume of food-grade glycine. Food-grade glycine market in the PRC accounts for 31.6% of global market and is relatively concentrated, with market share of the top five manufacturers in the industry reaching 57.6% in terms of sales volume of food-grade glycine in 2023.

Our Directors believe that some of our competitors may have greater production capacity and lower pricing than we do. However, our Directors consider that our Group has established a diversified customer base and has been providing high-quality products. Through these advantages, we believe we have a competitive edge over our competitors.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe a few of the more significant risks relating to our business are as follows:

- significant fluctuations in the market price and changes in market condition of our major products as well as shift in our customer mix may adversely affect our product sales, gross profit and profits;
- our future growth heavily depends on our ability to sustain operations of our Indonesia Plant and our Thailand Plant;
- our business may be adversely affected by international trade policies and trade barriers;
- since most of our revenue derives from sale to major customers, if our relationship with major customers deteriorates or if we are not able to fulfill our obligations under our contracts with major customers, our business and operating results may be adversely affected;
- we rely on a stable and adequate supply of quality raw materials which are subject to price volatility;
- we may not be able to effectively manage our inventories of raw materials;
- we may not be able to maintain effective quality control and may be subject to product liability claims which could have a material adverse impact on our reputation, business and operating results;
- our success in the future depends on our research and development capability;
- our business is affected by changes in consumer tastes, preferences and perceptions of food additives, and the development of major products in the industry; and

- we may not be able to protect our intellectual property rights, and the infringement of our intellectual property rights by third parties could affect our ability to compete.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set out in this document and, in particular, should refer to the section headed "Risk factors" in this document before you decide to [**REDACTED**] in the [**REDACTED**].

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm, and our legal advisers from the respective jurisdictions concur, that during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, administrative proceedings or non-compliance incidents that led to fines, enforcement actions or other penalties, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operation. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Please refer to the section headed "Business — Legal proceedings and compliance" in this document for further details.

OUR CONTROLLING SHAREHOLDERS AND PRE-[REDACTED] INVESTMENTS

Our Controlling Shareholders

Immediately prior to the [**REDACTED**], our Company is owned directly as to (i) approximately 41.1% by Newtrend Industrial, (ii) approximately 6.9% by Mr. Wang and (iii) approximately 6.8% by Juhexing Investment. Newtrend Industrial is owned as to 50% and 50% by Mr. Wang and Ms. Ding, respectively. Juhexing Investment is controlled by Ms. Ding as its sole general partner. Mr. Wang and Ms. Ding are spouses. Accordingly, Mr. Wang, Ms. Ding, Newtrend Industrial and Juhexing Investment constitute a group of Controlling Shareholders before [**REDACTED**].

Immediately following completion of the [**REDACTED**], the group of the Controlling Shareholders will be, in aggregate entitled to control the exercise of approximately [**REDACTED**]% of the voting rights (assuming the [**REDACTED**] is not exercised) or approximately [**REDACTED**]% of the voting rights (assuming the [**REDACTED**] is exercised in full) and thus remain as a group of Controlling Shareholders.

Pre-[REDACTED] Investments

We conducted the Pre-[**REDACTED**] Investments with the Pre-[**REDACTED**] Investors, namely, Chen Yiyuan, Huang Wenzeng, Yang Haijun, Guoxin Hongsheng, Xingzheng Strategic Venture, Xingzheng Saifu Investment, Xingzheng Saifu No. 1 Investment, Xiuneng Investment, Zhang Chaoyi, Huang Yanlu, and Fuxing Investment.

Immediately following completion of the [**REDACTED**], assuming that the [**REDACTED**] is not exercised, the Pre-[**REDACTED**] Investors will hold approximately [**REDACTED**]% of the issued Shares. For further details of the identity and background of the Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investments, please refer to the section headed "History and corporate structure — Pre-[**REDACTED**] Investments" in this document.

CSRC FILING

We submitted a filing to the CSRC for application of the [**REDACTED**] of our H Shares on the Stock Exchange on 3 July 2024. The CSRC issued notice of filing on 15 April 2025 for the [**REDACTED**] and for the submission of the application to [**REDACTED**] our H Shares on the Stock Exchange. As advised by our PRC Legal Advisers, no other filing notifications from the CSRC are required to be obtained prior to the [**REDACTED**] of the Shares on the Stock Exchange pursuant to the Trial Measures.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraph headed "Recent development" above and the [**REDACTED**] expenses in connection with the [**REDACTED**], our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 31 December 2024 (being the date as of which our latest audited consolidated financial statements were prepared as set out in Appendix I to this document) and up to the date of this document.

In this document, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed "Glossary of technical terms" in this document.

"Additional Glycine Tariff"	with respect to glycine exported from the PRC to the US, on top of the General Glycine Tariff, the additional (i) anti-dumping duty at the rate of 155.89% *ad valorem*; (ii) countervailing rate of 144.01% *ad valorem*; and (iii) section 301 of Trade Act of 1974 rate of 25% *ad valorem*
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"American Beverage Customer"	a world-renowned multinational corporation established in 1892, headquartered in the U.S. and listed on the NYSE, with the main business in manufacturing one of the world's most popular carbonated beverages
"American Confectionery Customer"	a globally-leading multinational corporation established in 1911, headquartered in the U.S., with the main business in manufacturing pet food, pet care products, confectionery and snacks. It is globally well-known for its various branded chocolate bars, candies and chewing gum
"American Oral Care Products Customer"	one of the world's largest oral care products manufacturers, a multinational corporation established in 1806, headquartered in the U.S. and listed on the NYSE, with the main business in manufacturing oral care products, personal care products, home care products, pet care products, etc.
"American Snacks Customer"	a world-renowned multinational corporation established in 2012, headquartered in the U.S. and listed on NASDAQ, with the main business in manufacturing snacks, biscuits, chocolates, gum, etc.. Its world-famous products include but not limited to its branded chocolate chip cookies, breakfast biscuits and milk chocolate bars

"Anti-monopoly Law"	Anti-monopoly Law of the PRC《中華人民共和國反壟斷法》
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), and shall become effective on **[REDACTED]**, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	the board of Directors
"BOI"	the Thailand Board of Investment
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business

[REDACTED]

"China", "Mainland China" or "PRC"	the People's Republic of China which, for the purpose of this document, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
"CIC"	China Insights Industry Consultancy Limited, an industry expert and Independent Third Party
"CIC Report"	the industry report which we commissioned CIC to prepare
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time

"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	新琪安集團股份有限公司 (Newtrend Group Holding Co., Ltd.), a limited liability company established in the PRC on 8 September 2006 and converted into a joint stock company with limited liability on 4 December 2017
"Comprehensively Sanctioned Countries"	means Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine occupied by Russia ("**Crimea**"), the self-proclaimed Luhansk People's Republic ("**Luhansk**"), the self-proclaimed Donetsk People's Republic ("**Donetsk**"), Zaporizhzhia and Kherson in respect of the Track Record Period
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, collectively refers to our Controlling Shareholders, being Mr. Wang, Ms. Ding, Newtrend Industrial and Juhexing Investment, or, where the context so requires, any of them
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 25 May 2025 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), further information of which is set out in the section headed "Statutory and general information — D. Other information — 3. Indemnities" in Appendix VI in this document

"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and which are currently not [**REDACTED**] or [**REDACTED**] on any stock exchange
"Dr. Sho"	Dr. Sho Kyokuto (鍾旭東), our R&D director
"E.U."	the European Union
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法)
"Euro", "EUR" or "€"	EURO, the lawfully currency of the European Union

[**REDACTED**]

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[**REDACTED**]

"FY2022"	the year ended 31 December 2022
"FY2023"	the year ended 31 December 2023
"FY2024"	the year ended 31 December 2024

"General Glycine Tariff"	a general tariff imposed on glycine exported from the PRC and Indonesia to the US at a rate of 4.2% *ad valorem*

[**REDACTED**]

"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants"	Guide for New Listing Applicants published by the Stock Exchange
"Guoxin Hongsheng"	深圳市國信弘盛股權投資基金(有限合夥) (Shenzhen Guoxin Hongsheng Equity Investment Fund (Limited Partnership)*), a limited partnership established in the PRC on 2 July 2013 and one of our Pre-[**REDACTED**] Investors

[**REDACTED**]

"H Share(s)"	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 per H Share which is/are to be subscribed for and [**REDACTED**] in HK dollars and to be [**REDACTED**] on the Stock Exchange
"HK$", "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"HKFRS"	Hong Kong Financial Reporting Standards

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

[REDACTED]

"Identified Regions"	Egypt, Guatemala, Hong Kong, Russia (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson) and Turkey
"Independent Third Party(ies)"	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, supervisors, chief executive or substantial shareholders of our Company, any of its subsidiaries or any of their respective associate(s)
"Indonesia Plant"	our production plant that is located in Karawang New Industry City, West Java Province, Indonesia, and was owned by our Group as at the Latest Practicable Date
"Indonesian Legal Advisers"	GHP Law Firm

[REDACTED]

"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the Relevant Jurisdictions
"International Sanctions Legal Advisers"	Ashurst Hong Kong, our legal advisers as to International Sanctions law in connection with the **[REDACTED]**

[REDACTED]

"Ji'an Plant"	our production plant that is located in High-Technology Zone, Ji'an City, Jiangxi Province, the PRC, and was owned by our Group as at the Latest Practicable Date
"Ji'an Zhike"	吉安市智科貿易有限公司 (Ji'an Zhike Trade Co., Ltd.*), a limited liability company established in the PRC on 18 April 2022 and an indirect wholly-owned subsidiary of our Company
"Jiangxi Ansun"	江西安晟食品配料有限公司 (Jiangxi Ansun Food Ingredients Co., Ltd.*), formerly known as Jiangxi Ansun Chemical Technology Co., Ltd. (江西安晟化工科技有限公司), a limited liability company established in the PRC on 5 December 2003 and a direct wholly-owned subsidiary of our Company

[REDACTED]

[REDACTED]

"Juhexing Investment"	吉安市井開區聚合興投資諮詢合夥企業(有限合夥) (Ji'an Jingkai District Juhexing Investment Consulting Partnership (Limited Partnership)*), a limited partnership established in the PRC on 24 December 2014 of which Ms. Ding is the sole general partner, and one of our Controlling Shareholders
"Latest Practicable Date"	21 May 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部), or where the context so requires, its counterparts at the local levels
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部), or where the context so requires, its counterparts at the local levels
"Mr. Wang"	Mr. Wang Xiaoqiang (王小強), our chairman of the Board, executive Director and one of our Controlling Shareholders

"Ms. Ding"	Ms. Ding Dan (丁丹), the spouse of Mr. Wang and one of our Controlling Shareholders
"Nanchang Newtrend"	南昌市新琪安科技有限公司 (Nanchang Newtrend Technology Co., Ltd.*), a limited liability company established in the PRC on 26 June 2017 and a direct wholly-owned subsidiary of our Company
"NASDAQ"	the National Association of Securities Dealers Automated Quotations
"NEEQ"	the National Equities Exchange and Quotations, a national securities trading market in the PRC for trading the shares of public companies that are not listed on either the Shenzhen Stock Exchange or the Shanghai Stock Exchange
"Newtrend Europe"	Newtrend Europe B.V., a limited liability company incorporated in the Kingdom of the Netherlands on 10 November 2017 and an indirect wholly-owned subsidiary of our Company
"Newtrend Health"	深圳市新琪安健康科技有限公司 (Shenzhen Newtrend Health Technology Co., Ltd.*), a limited liability company established in the PRC on 18 February 2011 and a direct wholly-owned subsidiary of our Company
"Newtrend Industrial"	深圳市新琪安實業發展有限公司 (Shenzhen Newtrend Industrial Development Co., Ltd.*), a limited liability company established in the PRC on 29 April 2001 and one of our Controlling Shareholders
"Newtrend Nutrition"	PT. Newtrend Nutrition Ingredient, a limited liability company incorporated in the Republic of Indonesia on 23 October 2019 and an indirect wholly-owned subsidiary of our Company
"Newtrend Thailand"	Newtrend Food Ingredient (Thailand) Co., Ltd., a limited liability company incorporated in the Kingdom of Thailand on 5 March 2013 and an indirect wholly-owned subsidiary of our Company
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Nomination Committee"	the nomination committee of our Board
"NYSE"	The New York Stock Exchange
"OFAC"	the U.S. Treasury Department's Office of Foreign Assets Control, the principal U.S. regulator implementing and enforcing U.S. International Sanctions programmes and policies

[REDACTED]

"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	Company Law of the PRC (《中華人民共和國公司法》) as amended and supplemented from time to time

"PRC Legal Advisers"	Grandall Law Firm (Shenzhen)
"Pre-[**REDACTED**] Investment(s)"	the pre-[**REDACTED**] investment(s) in our Company, details of which are set out in "History and corporate structure — Pre-[**REDACTED**] Investments" in this document
"Pre-[**REDACTED**] Investor(s)"	the investor(s) of the Pre-[**REDACTED**] Investments
	[**REDACTED**]
"Primary Sanctioned Activity"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a listing applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Jurisdiction(s)"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any jurisdiction that is relevant to the listing applicant and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purposes of this document, Relevant Jurisdictions include the U.S., the E.U., and the U.N.

"Relevant Person(s)"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means our Group, our investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], [**REDACTED**], clearing and settlement of our shares, including the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], [**REDACTED**], [**REDACTED**] and the SFC
"Relevant Sanctions Authorities"	means the relevant governmental authorities in the Relevant Jurisdictions that administer their respective sanctions related law or regulation, such as the OFAC
"Remuneration Committee"	the remuneration committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"Sanctioned Country"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction (namely, the U.S., the E.U. and the U.N.), which means a Comprehensively Sanctioned Country for the purposes of this document
"Sanctioned Target(s)"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any person or entity (i) designated on the SDN List or any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)

"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家税務總局)
"SCNPC"	the Standing Committee of the National People's Congress (中華人民共和國全國人民代表大會常務委員會)
"SDN"	specially designated nationals and blocked persons
"SDN List"	the list of SDN maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. Persons
"Secondary Sanctionable Activity"	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means certain activity by a listing applicant that may result in the imposition of sanctions against the Relevant Persons by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
"Shareholder(s)"	holder(s) of the Shares
"Sole Sponsor"	CMBC International Capital Limited
	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Sucralose Price War"	has the meaning ascribed to it under the section headed "Industry overview — Overview of global sucralose industry — Price analysis of sucralose" in this document
"Supervisor(s)"	supervisor(s) of our Company
"Supervisory Board"	the board of Supervisors
"Swiss Food and Beverage Customer"	a world-famous multinational corporation established in 1867, headquartered in Switzerland and listed on the SWX, with the main business in manufacturing baby food, medical nutrition, pet food, packaged drinking water and coffee. Its world-famous products include but not limited to its branded coffee, chocolate and cereals
"SWX"	the SIX Swiss Exchange
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented from time to time
"Thailand Legal Advisers"	DTL Law Office Co., Ltd.
"Thailand Plant"	our production plant that is located in Pluak Daeng District, Rayong Province, Thailand, and was owned by our Group as at the Latest Practicable Date
"THB"	Thai Baht, the lawful currency of Thailand
"Track Record Period"	FY2022, FY2023 and FY2024
"Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法), promulgated by the CSRC on 17 February 2023

"US 2025 IEEPA Tariff"	additional tariff pursuant to the International Emergency Economic Powers Act (IEEPA) imposed on goods exported into the US from various countries including the PRC, which was introduced by the US government on (i) 1 February 2025, among which, all goods exported from the PRC to the US would be subject to an additional 10% tariff, with a few exceptions (effective from 4 February 2025); and (ii) 3 March 2025, among which, all goods exported from the PRC to the US would be subject to an additional 20% tariff in total, with a few exceptions (effective from 4 March 2025)
"US Reciprocal Tariff"	reciprocal tariff imposed on goods exported into the US from various countries including the PRC, Indonesia and Thailand, which was introduced by the US government on (i) 2 April 2025, among which, all goods exported to the US from (a) the PRC would be subject to an additional 34% tariff; (b) Indonesia would be subject to an additional 32% tariff; and (c) Thailand would be subject to an additional 36% tariff (effective from 9 April 2025); (ii) on 8 April 2025, among which, all goods exported from the PRC to the US would be subject to an additional 84% tariff in total (effective from 9 April 2025); (iii) on 9 April 2025, among which, all goods exported to the US from (a) the PRC would be subject to an additional 125% tariff in total; and (b) Indonesia and Thailand would be subject to a 10% tariff instead (i.e. reciprocal tariff of 32% for Indonesia and 36% for Thailand would be paused for 90 days) (effective from 10 April 2025); and (iv) on 12 May 2025, where all goods exported to the US from the PRC would be subject to a 10% tariff instead (i.e. reciprocal tariff of 34% imposed on 2 April 2025 would be paused for 90 days, reciprocal tariff imposed on 8 and 9 April 2025 would be removed) (effective from 14 May 2025), with a few exceptions (including sucralose, which is not subject to any reciprocal tariff as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025)
"U.K."	the United Kingdom
"U.N."	the United Nations

"U.S. Persons"	means (i) any individual who is a U.S. citizen or legal permanent resident of the United States, including dual citizens, regardless of his or her current location in the world; (ii) any individual, regardless of his or her nationality, while physically located in the U.S.; (iii) any corporation, partnership, association, or other organisation organised under the laws of the United States or of any state, territory, possession, or district of the United States; and (iv) the foreign branches of any U.S. corporation, partnership, association or other organisation organised under the laws of the United States or of any state, territory, possession or district of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

"US", "United States" or "U.S."	the United States of America
"US$", "US Dollars" or "USD"	the United States dollars, the lawful currency of the United States
"Xiuneng Investment"	Shenzhen Xiuneng Newtrend Investment Enterprise (Limited Partnership)* (深圳市修能新琪安投資企業(有限合夥))
"Xizang" or "Xizang Autonomous Region"	The Tibet Autonomous Region of the PRC
"Xizang Newtrend"	西藏新琪安精細化工有限公司 (Xizang Newtrend Fine Chemical Technology Co., Ltd.*), a limited liability company established in the PRC on 23 April 2014 and a direct wholly-owned subsidiary of our Company
"Xizang Plant"	our production plant that is located in Golmud Zangqing Industrial Park, Xizang Autonomous Region, the PRC, and was owned by our Group as at the Latest Practicable Date

"Yujiang Plant"	our production plant that is located in Dengbu Town, Yujiang County, Jiangxi Province, the PRC, and was owned by our Group as at the Latest Practicable Date
"Zang Qing Investment"	西藏藏青工業園投資股份有限公司, a company established in the PRC on 25 November 2013 and a subsidiary of 西藏自治區藏青工業園管理委員會 (Tibet Autonomous Region Zangqing Industrial Park Management Committee*), and an Independent Third Party
"%"	per cent.

In this document, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "" and are provided for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"CAGR"	compound annual growth rate
"CIF"	an abbreviation for cost, insurance, and freight, which represents the charges paid by a seller to cover the costs, insurance, and freight of a buyer's order while the cargo is in transit; cost, insurance, and freight only applies to goods transported via a waterway, sea, or ocean
"DDP"	an abbreviation for delivery duty paid, which means that seller assumes all of the responsibility, risk, and costs associated with transporting goods until the buyer receives or transfers them at the destination port; an international commerce term used for sea or inland waterway transportation
"Designated Wholesalers"	wholesalers designated by certain of our manufacturer customers to place purchase orders on behalf of such manufacturer customers
"DMF"	N,N-Dimethylformamide, a colourless liquid which is miscible with water and the majority of organic liquids and a common solvent for chemical reactions
"FCA"	an abbreviation for free carrier, which means that seller is responsible for export clearance and delivery of goods to the carrier at the named place of delivery
"FOB"	an abbreviation for free on board, which means that title and risk pass to the buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller; an international commerce term used for sea or inland waterway transportation
"GDP"	gross domestic product
"GHG"	greenhouse gas
"ISO"	International Organisation for Standardisation
"Other Wholesalers"	wholesalers which are not Designated Wholesalers

"pH level"	a measure of how acidic or alkaline a substance or solution is; acidic solutions are measured to have lower pH values than alkaline solutions
"ROW"	the rest of the world
"sq.m."	square metres
"ton"	a unit of weight, in this document, one ton equals 1,000 kg

This document contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:-

- the industry regulatory environment as well as the industry outlook in general;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's business objectives and strategies;
- our Group's capital expenditure plans;
- our Group's operations and business prospects; and
- our Group's future plans

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this document), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this document. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors believe that our current views as reflected in those forward-looking statements based on currently available information are reasonable and that our Directors have exercised due care in expressing our views, including the forward-looking statements, in this document, we can give no assurance that those views will prove to be correct, and the [**REDACTED**] are cautioned not to place undue reliance on such statements.

Subject to the requirements of the Listing Rules or the applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

An* [REDACTED] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the section headed "Financial information" in this document, before deciding to* [REDACTED] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, operating results and growth prospects. In any such an event, the market price of our H Shares could decline, and you may lose all or part of your* [REDACTED]. *Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, and will not be updated after the date hereof.

RISKS RELATING TO OUR BUSINESS

Significant fluctuations in the market price and changes in market condition of our major products as well as shift in our customer mix may adversely affect our product sales, gross profit and profits.

We set the selling price of our major products, namely industrial-grade glycine, food-grade glycine and sucralose, with reference to, among others, the respective market price and condition thereof. For details of our pricing policy, please refer to the section headed "Business — Our customers — Pricing policy" in this document.

With respect to food-grade glycine, with the restoration of the production capacity after production shutdowns caused by China's environmental protection policy restrictions and a decline in demand due to stockpiling by downstream manufacturers owing to concerns about price increases, the average market export price of food-grade glycine decreased significantly from approximately RMB22,991.3 per ton in 2022 to approximately RMB14,884.1 per ton in 2023, and to approximately RMB14,842.9 per ton in 2024. For further details, please refer to the section headed "Industry overview — Overview of global glycine industry — Price analysis of food-grade glycine" in this document.

With respect to sucralose, due to the aggressive production expansion of leading manufacturers, the market supply of sucralose exceeds the demand, and hence manufacturers are willing to sell product in extreme low price to reduce the storage. In addition, driven by the imperative to preserve their respective market shares and to curb the influx of minor competitors that could potentially disrupt the equilibrium of the market, leading companies have triggered the Sucralose Price War in 2022. The average market export sucralose price and the average market domestic sucralose price both dropped significantly from approximately RMB386,261.6 per ton and RMB378,556.0 per ton in 2022 to approximately RMB141,597.3 per ton and RMB148,904.9 per ton in 2024

respectively. For FY2022, FY2023 and FY2024, our average selling price of sucralose was approximately RMB311,663 per ton, RMB236,811 per ton and RMB184,802 per ton, respectively.

Even though, as advised by CIC, on the one hand, the market price of food-grade glycine has been stabilised towards the end of 2024 and it is expected that the market price thereof will start to rise from 2025, while the Sucralose Price War has ended in the third quarter of 2024 with the market price of sucralose in the PRC increased from approximately RMB105,789.5 per ton in June 2024 to approximately RMB191,333.3 per ton in September 2024, there is no assurance that material changes in the market price and/or condition of our major products will not occur again. In such case, we may not be able to prevail over other suppliers of our major products in terms of pricing, and our product sale will decrease. The low selling price of our major products will also reduce our gross profit and profits.

On the other hand, we sell our products to different types of customer, mainly consisting of manufacturers, Designated Wholesalers and Other Wholesalers. For FY2022 and FY2023, our revenue was mainly attributable to sale of our products to customers which are manufacturers, which accounted for approximately 62.8% and 59.0% of our total revenue, respectively. As advised by CIC, direct sale to manufacturers has enabled us to command higher prices, resulting a higher pricing of our Group as compared to industry average in 2023. However, there was a shift in our customer mix in FY2024, whereby our revenue derived from sale to Other Wholesalers accounted for approximately 51.8% of our total revenue. Any changes in our customer mix may adversely affect our overall gross profit margin, our profitability and financial condition.

Our future growth heavily depends on our ability to sustain operations of our Indonesia Plant and our Thailand Plant.

We have been focusing on expansion of (i) production at our production plants outside the PRC, namely our Indonesia Plant and our Thailand Plant; and (ii) overseas sale.

For each of FY2022, FY2023 and FY2024, revenue derived from our overseas sale amounted to approximately RMB52.6 million, RMB33.1 million and RMB114.1 million, representing approximately 6.9%, 7.4% and 20.1% of our total revenue, respectively.

The export market price and domestic market price of sucralose were adversely affected by the Sucralose Price War, whereas the overseas market price of sucralose remained stable. During the Track Record Period, we mainly sold our sucralose that were manufactured at our Ji'an Plant to our overseas customers. We commenced the production of sucralose at our Thailand Plant in the second half of 2024; and also sale of sucralose produced thereat.

With respect to our food-grade glycine, we sold food-grade glycine produced at our Indonesia Plant to customers in the US during the Track Record Period. Going forward, we target to sell more food-grade glycine produced at our Indonesia Plant to customers in the US as the selling price of our food-grade glycine sold to the US customers tends to be

higher than those sold to other customers. We could not fully utilise the production capacity at our Indonesia Plant in FY2023 since we had difficulties in importing raw materials for our production of food-grade glycine during the same period for reasons set out in the section headed "Business — Our suppliers — Raw material suppliers" in this document. We resolved such problem by successfully renewing the B2 Import Approval Licence in September 2023, and we further renewed such licence in July 2024 and April 2025, which would expire in April 2026. There is no assurance that we will be able to renew such licence, or we will not encounter any other problem(s) with our operations and/or sale at our Indonesia Plant.

For details regarding our strategic goals regarding expansion of (i) production at our production plants outside the PRC, namely our Indonesia Plant and our Thailand Plant; and (ii) overseas sale, please refer to the sections "Summary — Recent development" and "Business — Our strategies" in this document. In the event that we encounter any problem(s) with our operations and/or sales at our Thailand Plant and/or our Indonesia Plant, the growth of our business may be impeded and our financial condition and results of operation could be materially and adversely affected.

Our business may be adversely affected by international trade policies and trade barriers.

Based on destination of delivery, a substantial amount of our products are sold to our customers in overseas markets, mainly Europe, North America and Asia (excluding Mainland China). During the Track Record Period, the revenue generated from Europe, North America and Asia (excluding Mainland China) accounted for over 50% of the total revenue. As such, our operating results and profitability are more correlated with the demand and macroeconomic conditions in Europe, North America and Asia (excluding Mainland China). Our export sale is generally subject to certain inherent risks, including exposure to local, economic, labour conditions; changes in laws, regulations, industry standards, trade, monetary or fiscal policy; tariffs, quotas, customs and other import or export restrictions and other trade barriers such as anti-dumping. These uncertainties, in particular to the evolving international trade tariffs policies which may change from time to time, could have a material adverse effect on our business, financial conditions, results of operation and financial condition.

Amongst countries that we sold our products to, the US has advocated greater restrictions on trade generally and significant increase on duties on goods exported into the US, particularly from the PRC. Such trade restrictions are continuously evolving and as at the Latest Practicable Date, such trade restrictions were still subject to change and had not been finalised. As advised by our legal advisers as to anti-dumping law, during the Track Record Period, our sucralose exported from China to our customers in the United States are subject to general tariff rate of 3.7% *ad valorem*. Our revenue derived from the sale of sucralose manufactured in the PRC exported to customers in the US amounted to approximately 5.0%, 11.6% and 17.9% of our total revenue for each of FY2022, FY2023 and FY2024, respectively.

On the other hand, as advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from the PRC to the US is subject to the General Glycine Tariff and the Additional Glycine Tariff. For further details, please refer to the section headed "Regulatory overview — U.S. laws and regulations" in this document.

A large portion of our revenue is generated from sale to customers in the US. Our sale of food-grade glycine exported to the US accounted for approximately 4.0%, 6.4% and 17.3% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. During the Track Record Period, our food-grade glycine exported to the US were manufactured at our Indonesia Plant. As advised by our legal advisers as to anti-dumping law, glycine exported from Indonesia to the US is subject to the General Glycine Tariff. Accordingly, our legal advisers as to anti-dumping law is of the view that, for our overseas sales to clients in the US, we are only subject to the General Glycine Tariff for glycine manufactured by us in our Indonesia Plant.

Based on the foregoing, our glycine and sucralose sold to the US were only subject to the General Glycine Tariff and the general tariff of 3.7% *ad valorem*, respectively, during the Track Record Period.

Subsequent to the Track Record Period, on 1 February 2025 and 3 March 2025, the US government introduced the US 2025 IEEPA Tariff on goods from various countries including the PRC, where all goods exported from the PRC to the US would be subject to an additional 20% tariff in total, with a few exceptions. On 2 April 2025, 8 April 2025, 9 April 2025 and 12 May 2025, the US government introduced the US Reciprocal Tariff on goods from various countries including the PRC, Indonesia and Thailand, where all goods exported to the US from (i) the PRC would be subject to an additional 34% tariff (paused for 90 days and subject to a 10% tariff instead from 14 May 2025); (ii) Indonesia would be subject to an additional 32% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025); and (iii) Thailand would be subject to an additional 36% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025), with a few exceptions (including sucralose, which is not subject to any reciprocal tariff as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025).

Since we sell glycine manufactured at our Indonesia Plant and sucralose manufactured at our Ji'an Plant and Thailand Plant to customers in the US, respectively, such US 2025 IEEPA Tariff may only adversely affect our export sales of sucralose to the US as at the Latest Practicable Date, while the US Reciprocal Tariff may only adversely affect our overseas sales of glycine to the US as at the Latest Practicable Date given that sucralose falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025. However, in the event that the US or other jurisdiction(s) change their respective trade policies, treaties and tariffs in the future, by imposing additional tax onto products that we produce in either the PRC, Indonesia or Thailand in the future, these duties may have an adverse impact on our Group's business operation and financial results.

Moreover, PRC market players may establish overseas production facilities in response to the increased U.S. tariff on Chinese products, which may potentially increase overseas supply and exert downward pressure on market prices. Such possible heightened competition in the overseas markets may have an adverse impact on our Group's business operation and financial results.

Since most of our revenue derives from sale to major customers, if our relationship with major customers deteriorates or if we are not able to fulfill our obligations under our contracts with major customers, our business and operating results may be adversely affected.

We are dependent on revenue generated from our major customers. Our sale to our top five customers in each year during the Track Record Period accounted for approximately 56.2%, 53.9% and 55.6% of the Group's total revenue. For further details, please refer to the section headed "Business — Our customers — Our five largest customers" in this document. The reliance on sale to these major customers may expose us to various risks that could significantly impact our revenue and profitability. Factors such as the deterioration in our relationship with major customers and failure to fulfill our customers' purchase orders in terms of quantity, quality and timely delivery could lead to a decline in our sale to major customers. In the event that any of our major customers substantially reduces their demand for our products or terminates their business relationship with us for any reason, we will lose the recurring revenue from these customers. It may also be difficult for us to find comparable alternative customers.

We cannot guarantee that we will be able to maintain our relationships with them or continue to benefit from cooperation with them in the future. Our framework sales agreements with our major customers typically renew every year, and under those agreements there is generally only an estimated or forecast purchase amount, but not a firm commitment to purchase a certain quantity. Therefore, the change in demand for our products from our major customers could have an immediate or prompt adverse impact on our business and operating results.

We rely on a stable and adequate supply of quality raw materials which are subject to price volatility.

Raw materials and goods used are the largest components of our cost of sales, accounting approximately 57.0%, 47.6% and 56.6% for each of FY2022, FY2023 and FY2024, respectively. Accordingly, our production of food additives requires a stable and adequate supply of quality raw materials at competitive prices. The principal raw materials used in our production include ethanoic acid, liquid ammonia, sucrose and DMF, and their prices largely depend on market demand and supply which may be fluctuating from time to time, and other factors which are beyond our control. We generally do not enter into long-term supply agreements which stipulate the price of raw materials with major suppliers or maintain large quantities of inventories of raw materials. Instead, we purchase most of the raw materials at spot prices from selected suppliers based on our monthly production plans. If the prices of our principal raw materials increase significantly or suddenly in the future and we do not have enough inventories to support our production, our costs of raw materials could increase significantly.

Prior to the Track Record Period, our purchase prices of DMF fluctuated significantly, whereby the price ranged from approximately RMB7,400 per ton to approximately RMB18,100 per ton within the year ended 31 December 2021, caused by their limited supply resulting from power outages. Because of the uncontrollable and unanticipated changes in market dynamics of our raw materials, we face significant fluctuations in the cost of raw materials, but are largely unable to adjust the selling prices of our products accordingly due to the long-term purchase agreements with our customers where prices are fixed the year before.

We need to constantly monitor price fluctuations in order to minimise our exposure in such respect. We cannot assure you that there will not be any unexpected price fluctuations of our raw materials in the future or that such fluctuations would not have any significant impact on our cost of raw materials. We also cannot guarantee that we have adequate resources to monitor the price changes and the supply of our raw materials closely at all times. Please refer to the sensitivity analysis on any change of the cost of raw materials set forth in the section headed "Financial information — Key factors affecting our performance — Fluctuation in direct costs" in this document for details.

We may not be able to effectively manage our inventories of raw materials.

We generally maintain certain level of inventories of raw materials to enable stable operations. As at 31 December 2022, 2023 and 2024, our inventories of raw materials and consumables amounted to approximately RMB19.9 million, RMB19.9 million and RMB19.5 million, respectively. Our average inventory turnover days were approximately 73 days, 104 days and 79 days for FY2022, FY2023 and FY2024, respectively.

We cannot assure you that our sales prediction will be accurate and that we will be able to manage our inventories effectively. If there is over-stocking of raw materials, we could be subject to the risk of inventory obsolescence, which leads to decline in the realisable value of inventories and significant inventory write-downs. On the other hand, if we underestimate demand or if our suppliers fail to provide raw materials timely, we may encounter inventory shortages, which could in turn result in unfulfilled purchase orders, loss of sales and a negative impact on customer relationship. Either over-stocking or under-stocking may have an adverse effect on our business, financial condition and operating results.

A material disruption to the operations of our production facilities could materially and adversely affect our business, financial condition and operating results.

During the Track Record Period we suspended production at our certain production plants from time to time. For example, as we were required to suspend production temporarily at our Xizang Plant in FY2022 due to the outbreak of COVID-19, we recorded production stop loss of approximately RMB3.6 million with respect to the relevant expenses related to production, such as staff costs and depreciation expenses, of Xizang Plant incurred during the period of suspension. On the other hand, we suspended the production at our Ji'an Plant temporarily in late April 2024 as a result of construction work performed outside our Ji'an Plant which adversely affected our logistics arrangement, and recorded production stop loss of approximately RMB2.6 million for FY2024. For details of

our production plants' temporary suspension during the Track Record Period, please refer to the section headed "Business — Our production plants" in this document.

We cannot assure you that the operations of our production facilities will be free from disruptions in the future. If operations at any of our production facilities are significantly interrupted due to fire, equipment failure, natural disasters, power shortage, explosions, adverse weather conditions, political turmoil, labour disputes, workforce restructuring or other factors occurred in the places that we operate globally, our costs could rise significantly and our delivery of products could be delayed. We may also incur liabilities under the relevant sales arrangements with our customers.

As a result of the disruption, we may need to suspend our production, which could cause a reduction in the production level and hence sale. However, lost sale or increased costs arising from such disruption of operations may not be recoverable under our existing insurance policies and prolonged business disruption could result in a loss of customers. Moreover, we may be required to make significant unanticipated capital expenditures to restore our production. If any one or more of the above risks were to materialise, our business, financial condition and operating results could be adversely affected.

We may not be able to maintain effective quality control and may be subject to product liability claims which could have a material adverse impact on our reputation, business and operating results.

The quality of our products is crucial to the success of our business. This is closely tied to the effectiveness of our quality management system, which is influenced by numerous factors, including the design of such system, our quality training programmes, and the adherence to our quality management policies and guidelines by our staff. Any notable failure or decline in the effectiveness of and non-compliance with our quality management system could have a material adverse impact on our reputation, business and operating results.

We cannot guarantee that our quality management system will remain effective and fully comply with the relevant laws and regulations and the national or international standards. Any significant failure or deterioration in our quality management system could lead to the loss of our business reputation and the necessary certifications or accreditations, which could in turn have a negative impact on our business and operating results.

In the event that we are held liable for substantial quality defects in our products, we may face significant legal and financial liabilities. Such claims could harm our reputation and lead to a decrease in sales. Irrespective of the validity and merits of the claims, defending against them or dealing with product liability claims may require substantial financial resources, as well as time and attention of our management. If product liability claims against us are successfully asserted, we may be obliged to pay substantial monetary damages and in many cases, suspend the production facilities or sale of the relevant product pending further inspection or accreditation.

Our business is dependent on our reputation, and any negative publicity on us could have a material adverse effect on our business, financial condition and operating results.

Our solid reputation in the industry, built on the stable supply of high-quality products, has earned us the trust of our customers and contributed to our long-standing success. We have cultivated enduring relationships with our major customers, and we anticipate that our business will continue to rely on the strength of our reputation in the long term. However, there are potential risks to our reputation, including but not limited to negative publicity related to product defects, non-compliance with laws and regulations and failure to meet product quality standards. Failure to actively promote and protect our reputation could result in a loss of sale, hinder our ability to attract new customers, and impede our expansion into new markets. Consequently, our business, financial condition and operational results may be adversely affected.

We face risks that are inherent to the broader food additives manufacturing industry. Negative publicity or media coverage surrounding the industry has the potential to significantly undermine the confidence of both our existing customers and potential customers in our products. This negative publicity can also directly impact the reputation of our products, leading to a decrease in demand. As a result, our business, financial condition and operational results may be adversely affected.

We are required to obtain and maintain permits, licences and certifications for our operations. Any loss of such permits, licences and certifications could adversely affect our business, financial condition and operating results.

We are required to maintain various certificates, licences and permits in order to operate our production facilities. Please refer to the section headed "Business — Licences and permits" in this document for details. Additionally, we are required to adhere to product quality standards relating to our products and production process. Please refer to the section headed "Business — Quality management" in this document for detailed information on the quality standards and accreditations that we have obtained for our production purposes.

Our production facilities undergo regular inspections conducted by regulatory authorities to ensure full compliance with applicable laws and regulations. Our customers may as well conduct inspections on our production facilities. If we fail to obtain or renew the necessary certificates, licences and permits, or if we do not meet the requirements following inspections, it could result in the temporary or permanent suspension of some or all production activities at our facilities. Such outcome could have an adverse impact on our business, financial condition and operational results.

Our success in the future depends on our research and development capability.

Our success depends on our ability to enhance our current products and develop new products. For FY2022, FY2023 and FY2024, we incurred research and development costs of approximately RMB14.0 million, RMB17.2 million and RMB16.6 million, respectively, as reflected in our consolidated statements of profit or loss and other comprehensive income.

However, we cannot guarantee the successful commercialisation of our research and development projects, completion within the expected timeframe or budget, or widespread acceptance of our newly developed products by customers. Even if these products are successfully introduced to the market, we cannot assure you that they will achieve the anticipated sales levels or generate profits as projected. Furthermore, we face the possibility that our competitors, both existing and potential, may develop products with broader market acceptance or more competitive pricing. There is also a risk that products currently under development by us may become commercially unviable, despite significant resources invested in research and development efforts.

Failure to achieve desired outcome from our research and development initiatives and inability to upgrade existing products or successfully launch new products that gain market acceptance can have a material adverse impact on our business, financial condition and operational results.

Our success depends on our key personnel. Any failure to attract or retain key personnel or talents may materially and adversely affect our business, financial condition, operating results, and business prospects.

Our success depends on the skills, experience, capabilities and ongoing contributions of our key executives and senior management team, including Mr. Wang, Mr. Wang Hao and Ms. Chen Lijun. We heavily rely on their experience and knowledge in formulating business strategies, maintaining relationships with customers, driving product development and overseeing business operation. In the event of the departure of any key executive, it may be challenging to find a suitable replacement possessing a comparable background, experience and expertise. This could adversely affect our business, financial condition and operational results.

It may be difficult for us to attract and retain the necessary key personnel required for our business operations. To attract and retain such personnel, we may need to offer enhanced compensation packages and benefits. However, we cannot guarantee that we will have the resources necessary to meet our staffing needs or that our costs and expenses will not significantly increase as a result. The failure to attract and retain competent personnel, along with the rise in staffing costs, can have a negative impact on our ability to maintain a competitive position and drive business growth.

We face the risk of failing to collect our trade receivables due from our customers, and our liquidity position may be affected by mismatch in trade receivables turnover days and trade payables turnover days.

We are subject to the risk in collecting our trade receivables due from our customers. As at 31 December 2022, 2023 and 2024, the balance of our trade receivables (before loss allowance) amounted to approximately RMB102.9 million, RMB119.4 million and RMB232.3 million, respectively. The average trade receivables turnover days increased between FY2022 and FY2023, and further increased for FY2024. It indicates that the time required to collect payments from customers is lengthened. Prolonged turnover days may increase the risk of bad debts, particularly if customers face financial difficulties or economic conditions deteriorate. With the increase in both trade receivables and average

trade receivable turnover days, our liquidity risk is increased due to strained cash flows. Inadequate liquidity may in turn limit our ability to meet short-term obligations, such as paying suppliers or funding operational expenses. We cannot assure you that all such amounts due to us will be settled promptly or within the anticipated timelines as agreed with our customers. Our operating results, liquidity and profitability could be adversely affected.

Besides, there is a mismatch in our trade receivables turnover days and trade payables turnover days. We typically offer our customers credit terms that up to 180 days, which are generally longer than the credit periods offered to us by our suppliers that up to 60 days. As such, there is a mismatch in our cash inflow and outflow periods which could materially affect our liquidity position. Any default or delay in payment by our customers may broaden such cashflow mismatch, which may result in significant cash flow shortfalls in the future and adversely affect our cash position and operating results.

Our business may be affected by any potential health risks of our products.

The safety of sucralose and glycine has been confirmed by various recognised and authoritative institutions. For sucralose, its safety has been confirmed by global food safety and regulatory bodies, including the European Food Safety Authority ("**EFSA**") and the US Food and Drug Administration ("**FDA**"). All studies and reviews conducted by ESFA and FDA have shown that sucralose is safe for consumption and does not have any neurological or carcinogenic adverse effect. In particular, FDA evaluated more than 110 studies for approving the safety of sucralose. On the other hand, for glycine, accordingly to the Chinese Standards for Food Additives (GB2760-2014), and as confirmed by CIC, glycine can be consumed as synthetic spice for protein powder without any maximum amount of consumption specified. Despite the above study results, we cannot guarantee that there will not be advanced studies in the future showing that there are indeed potential health risks associated with sucralose and/or glycine. It is also not guaranteed that excessive consumption of food additives including sucralose or glycine will not impose health risks on human beings. In the event that there are authorities publishing study results overturning the conclusions regarding safety of sucralose and/or glycine, or our products are consumed excessively and cause health risks, our business, financial condition and operating results may be adversely affected.

Our business is affected by changes in consumer tastes, preferences and perceptions of food additives, and the development of major products in the industry. Our products may be replaced by alternative/new generation products due to consumer tastes, preference and perceptions, and/or technology advancement.

Customer tastes, preferences and perceptions of food additives are constantly changing in response to changes in culinary and social trends. To ensure future growth, we must adapt to market trends and promptly introduce new or enhanced food additives that align with the evolving tastes and preferences of consumers. We cannot guarantee that our products will continue to be embraced by our customers or that we will accurately anticipate or respond to shifts in consumer preferences in a timely manner. Failure to foresee, identify or adapt to these changes could result in our products being replaced by alternative products, which could have a negative impact on our sales performance and operating results.

New product development and product enhancement can be costly. During each of FY2022, FY2023 and FY2024, our research and development costs amounted to approximately RMB14.0 million, RMB17.2 million and RMB16.6 million, respectively, representing approximately 1.8%, 3.9% and 2.9% of our total revenue, respectively. We cannot assure you that our new or enhanced products will be well-received and gain recognition in terms of consumer tastes and preferences or generate satisfactory profits. We may invest substantial resources in the development and marketing of new and improved products that fail to meet our projected sales levels. Inability to effectively respond to market trends and failure to successfully identify and develop new or improved products to meet changing demands, can lead our customers shifting their procurements of alternative new products, resulting our products being replaced. Accordingly this can negatively affect our business, financial condition, operating results and competitive position.

We may encounter shortage of electricity and water supply, and price fluctuations of utilities.

Apart from raw materials, our production process also depends on the stable supply of electricity and water. However, we cannot ensure that we will have a continuous and uninterrupted source of electricity and water.

If we encounter any shortage of supply of electricity and water, our production activities could be interrupted which could adversely affect our business, financial condition and operating results. Any fluctuation in the prices of electricity or water in the future could also negatively affect our production cost and our profitability.

Our business is susceptible to unfavourable shifts in government policies and regulations where we operate, in particular those relating to our industry and environmental protection.

We have operations in the PRC, Thailand and Indonesia. Consequently, our business has to comply with relevant laws and regulations in the above jurisdictions, and is significantly influenced by government policies and regulations prevailing in the above jurisdictions. For example, the BOI was set up under the Investment Promotion Act for the purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Promotion Act, the Thai government has granted full foreign ownership rights to foreign nationals who promised to make major investments and transfer technology to Thailand. For details, please refer to the section headed "Regulatory overview" in this document. Any unfavourable shifts in these policies would as well negatively impact our business, financial condition and operating results.

Since our production processes generate waste water and air pollutants, our operations are subject to various environmental laws and regulations of jurisdictions where we operate, including the PRC, Thailand and Indonesia, which impose stringent standards on waste management and air pollutants. Potential changes in the scope, application and interpretation of environmental laws and regulations as well as a higher degree of governmental oversight may cause us to incur high costs on installation of

additional pollution control or other related expenses, adversely affecting our business, financial condition and operating results. On the other hand, failure to meet the applicable environmental standards could lead to serious penalties, sanctions, and liabilities as well as substantial costs in connection with remedial measures which may also materially affect our financial condition and results of operations.

We may not be able to protect our intellectual property rights, and the infringement of our intellectual property rights by third parties could affect our ability to compete.

As at the Latest Practicable Date, we obtained 38 patents for inventions and utility models in the PRC. These patents are primarily related to the improvements in our production process and our products, as well as our new products. Please refer to the section headed "Business — Intellectual property rights" in this document for further details.

As at the Latest Practicable Date, our Group's logo is under registration as a trademark in Hong Kong. As a result, our Group does not have the protection available to a holder of a registered trademark in Hong Kong. Should any unrelated entities adopt a same logo and conduct similar business as our Group's, it may have a material adverse impact on our Group.

We cannot assure you that our intellectual property rights will not be challenged, misappropriated or circumvented by third parties. Third parties may bring suits alleging infringement of intellectual property rights or otherwise assert their rights. Engaging in litigation to protect our intellectual property rights can be costly, arduous, ineffective and time-consuming, and at the same time significantly divert the efforts and resources of our technical team and the management. Our failure to prevail in such litigation may also expose us to substantial liability to third parties or result in injunctions that prohibit us from producing or selling our products or using a specific production process.

Additionally, several proprietary know-how which is not eligible for patent protection or the patents of which are difficult to enforce are also important for us. We seek to rely on the confidentiality provisions in the employment contracts with our employees to safeguard our interests in this regard. Under the employment contracts, our employees are obliged, both during and after their term of employment, to keep our trade secrets confidential. They are also required to assign to us any inventions, designs and technologies that they develop while employed by us. On top of that, we have entered into confidentiality agreements with selected employees, where strict compliance with our confidentiality requirements is required.

Any breach of confidentiality by our employees or any other entities having access to our intellectual property rights could result in third parties, including our competitors, gaining access to such intellectual property rights and developing comparable products at competitive prices, which could impact our business, financial condition and operating results.

Personal injuries or fatal accidents may occur at our production facilities which could adversely affect our reputation.

During our business operations, it is essential for our employees to strictly adhere to and follow all safety measures and procedures that we have established. However, there remain risks of personal injuries or even fatal accidents in our production facilities, particularly if our employees fail to comply with the prescribed safety protocols. During the Track Record Period, there was one fatal accident at one of our production plants.

Apart from the aforementioned fatal accident, we had certain immaterial personal injuries incidents in our production facilities from time to time during the Track Record Period. For details, please refer to the section headed "Business — Health and work safety" in this document.

We cannot guarantee that significant workplace accidents or fatal accidents will not occur in the future. In such instances, we may be subject to government investigations and administrative penalties. Even if these accidents were not attributable to our fault or negligence, they can still result in substantial costs and damage to our reputation, including negative publicity, which could adversely affect our business, financial condition and operating results.

Our insurance coverage may not be adequate to cover all the risks related to our business.

We do not have insurance coverage for product liability and interruptions to our operations. If we are subject to liabilities on these uninsured risks and lack sufficient financial resources to cover such risks, our business, financial condition and operating results could be materially affected.

Even if we have maintained insurance for various aspects of our business, we cannot assure you that such coverage is fully adequate to protect us from relevant liabilities. The compensation or damages resulting from risks related to these specific areas may be substantial, placing a significant burden on our financial capacity and potentially causing adverse effects on our business.

We may be affected by the changes in or cessation of preferential tax treatment and government subsidies which may have an adverse effect on our business and financial condition and operating results.

Pursuant to the EIT Law and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例), enterprises in the PRC are generally subject to a standard tax rate of 25% on their global income. However, due to our accreditation as a "High and New Technology Enterprise" in the PRC and completion of registration with the local tax bureau, we have been subject to a reduced EIT rate of 15% for FY2022, FY2023 and FY2024.

Besides, the PRC government has granted us various subsidies to support our business and research and development efforts during the Track Record Period. Our government grants include small and medium-sized enterprise support funds, foreign trade development support funds and government grants that related to the optimisation project of our energy system and technological upgrade project and compensation for production loss at our Ji'an Plant. For FY2022, FY2023 and FY2024, our government subsidies credited to profit or loss amounted to approximately RMB8.0 million, RMB10.2 million and RMB6.5 million, respectively.

With respect to our operation in Thailand, our subsidiary incorporated in Thailand, namely Newtrend Thailand, is subject to corporate income tax at a rate of 20%. Under the investment preferential BOI policy, Newtrend Thailand enjoyed preferential tax treatment for FY2024 where it is not subject to tax on its BOI business income relating to its manufacturing of sucralose, which belongs to the preferential policy for FY2024.

For details regarding our preferential tax treatment and government subsidies, please refer to the sections headed "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Income tax expense" and "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Other income, gains and losses" respectively in this document. Our effective income tax rate amounted to approximately 18.3%, 7.7% and 10.9% for each of FY2022, FY2023 and FY2024, respectively.

We cannot assure you that the current policies that are applicable to our operations regarding preferential tax treatment and government subsidies which are currently benefitting us will continue or will not unfavourably altered, or that the approval for renewal of such preferential tax treatment or government subsidies will be granted to us timely. Termination or expiration of our preferential tax treatment or government subsidies could have an adverse effect on our business, financial condition and operational results.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant government authorities.

In accordance with the "Social Insurance Law of the PRC" (中華人民共和國社會保險法) and the "Administrative Regulations on the Housing Provident Fund of the PRC" (住房公積金管理條例), we are required to make contributions to social insurance and housing provident funds for our employees. During the Track Record Period and up to the Latest Practicable Date, certain subsidiaries of our Company did not make full contribution to social insurance and housing provident funds for some of our employees. This was mainly due to some of our employees in those PRC subsidiaries did not prefer to make full contribution as this would also increase their contribution. For each of FY2022, FY2023 and FY2024, the aggregate shortfall of our Group's contributions to social insurance and housing provident funds for our employees amounted to approximately RMB1.3 million, RMB1.3 million and RMB0.9 million, respectively.

As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisers have further advised us that, pursuant to relevant PRC laws and regulations, if we fail to

pay the full amount of housing provident funds as required, the housing provident fund authority may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. Failure to repay the outstanding social insurance contributions within the prescribed period may result in fines ranging from one to three times of the outstanding contribution amount. On the other hand, if we fail to make payments of outstanding housing provident fund contributions before the deadline, we may be ordered by the relevant people's courts to make such payments. Please refer to the section headed "Business — Legal proceedings and compliance" in this document for further details.

We are exposed to currency exchange risks.

Our consolidated financial information contained in this document is expressed in RMB. In our daily operations, a majority of our revenue is denominated in US dollars, Euro, RMB or Baht. Our current indebtedness is primarily denominated in RMB.

We mainly operate in the PRC and are exposed to foreign exchange risks arising from various currency exposures, particularly with regard to the US dollars. These risks arise from future commercial transactions as well as recognised assets and liabilities. We did not engage in hedging activities to mitigate the effects of fluctuation in foreign currency during the Track Record Period and up to the Latest Practicable Date.

The exchange rates between Renminbi and the US dollars are subject to fluctuations, influenced by factors such as changes in economic and currency policies in both China and the US. It is challenging to predict how market forces or the PRC or US government policies, including changes in the potential interest rate by the Federal Reserve of the US, may impact the exchange rate between Renminbi and the US dollars in the future. As at the Latest Practicable Date, it is expected that the the interest rate may be decreased by the Federal Reserve of the US. We recorded a net foreign exchange gain of approximately RMB24.1 million, RMB8.2 million and RMB8.2 million for FY2022, FY2023 and FY2024, respectively. Additionally, we recognised exchange differences on translation of financial operations of loss of RMB0.5 million, gain of RMB1.7 million and gain of RMB0.8 million, respectively for FY2022, FY2023 and FY2024, respectively.

If the currency in which our revenue is denominated experiences devaluation against the currency in which our expenses are paid or our indebtedness is denominated, it could lead to cost volatility or weaken our ability to repay the debts. This, in turn, may have a material and adverse impact on our financial condition and operating results.

Potential environmental hazards caused by our Company's products may affect our customers' perception towards the products.

Sucralose has been categorised into "high pollution" products and glycine as "high pollution" and "high environmental risks" products in the Environmental Protection Comprehensive Directory published by the Ministry of Ecology and Environment of the PRC in 2021. Besides, some studies show that sucralose does not easily break down in the environment, which may affect aquatic ecosystems and wildlife. Given the potential

environmental hazards of our products, our customers may have a negative impression towards our products, which may negatively affect our business, financial condition and operating results.

Our operations involve production of hazardous waste during the production process, therefore we are subject to operational risks relating to hazardous chemicals and in connection with potential accidents arising from our operations and other unforeseen risks.

Our production process generates hazardous wastes, such as waste activated carbon. Improper handling of these chemical wastes can result in serious pollution. Any accidents resulting from improper handling of these wastes may cause serious environmental, health and safety issues for our employees or others, significant damage to our production facilities and result in production interruptions or result in harm to the environment or natural resources. Our operations are also subject to unforeseen risks. We cannot assure you that we insured for any of these risks or that if insured, we will be successful in making claim under our insurance policies or that the claimed proceeds will be sufficient to compensate the actual damages suffered, or at all. Any of these events may also lead to litigation, government fines or penalties, which in turn may adversely affect our reputation, financial condition and results of operation.

We are subject to certain risks relating to delivery of our products including suspension or interruption to the services of our third-party logistics service providers, and increase in delivery costs.

We generally engage third party logistics service providers to deliver products from our production plants or warehouses to the ports or locations designated by our customers. For details, please refer to the section headed "Business — Our customers — Delivery and logistics" in this document.

Logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons, including events that are beyond our control or the control of these service providers, such as inclement weather, natural and man-made disasters, health epidemics, information technology system failures, transportation disruptions, labour unrest, commercial disputes, military actions or economic, business, environmental, public health, or political issues. Even though our logistics service providers will be liable for any delay of delivery and loss in transit, any suspension or interruption to the services of our third-party logistics service providers may materially and adversely affect our reputation, thus our business operation as well as profitability.

For each of FY2022, FY2023 and FY2024, our transportation expenses (including logistics expenses for delivery of our products) amounted to approximately RMB29.8 million, RMB16.7 million and RMB27.2 million respectively, accounting for approximately 5.3%, 4.5% and 5.8% of our cost of sales, respectively. There is no assurance that our transportation expenses will remain stable or that it will not increase in future. In the event that there is an increase in transportation expenses, and we cannot locate alternative third party logistics service providers at reasonable prices, transportation expenses will increase which may lead to a reduction of our net profits. Accordingly, our financial condition and results of operation could be materially and adversely affected.

We had certain property-related non-compliance incidents

Our Company had not obtained construction planning approval (建設工程規劃許可證), construction permit and approval (建築工程施工許可證) and construction completion and acceptance (建設項目竣工驗收) for our warehouse and offices located in our Ji'an Plant. As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, if corrective measures can be taken, we may be ordered to rectify within a time limit and face a fine ranging from 5% to 10% of the construction cost. If corrective measures cannot be taken, we may be ordered to demolish our properties. If the relevant properties cannot be demolished, we may face confiscation of tangible objects and face a fine of no more than 10% of the construction cost. If any of the abovementioned events occur, our business operations and financial performance may be materially and adversely affected.

On the other hand, our Company had not obtained the ownership certificates (產權證) for our workshops located in our Xizang Plant ("**Xizang Plant Workshops**"). In the event that our ownership of Xizang Plant Workshops is challenged, our production and operation at Xizang Plant Workshops would be affected, and there is a risk that Xizang Plant Workshops may be dismantled or repossessed due to lack of ownership certificates, resulting our business operations and financial performance may be materially and adversely affected.

For details regarding the property-related non-compliance incidents, please refer to the section headed "Business — Legal proceedings and compliance — Property-related non-compliance incident" in this document.

Any failure or perceived failure by us to comply with the Anti-monopoly Law and relevant regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operation.

In late August and September 2024, three major sucralose manufacturers in the PRC, together with our Group, have raised the selling price of sucralose coincidentally on several occasions (the "**Sucralose Price Increase**"). Although our PRC Legal Advisers are of the view that the increase of our selling price of sucralose during the period did not constitute a breach of the Anti-monopoly Law, any failure or perceived failure by us to comply with the Anti-monopoly Law and other anti-monopoly laws and regulations in the future may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operation.

RISKS RELATING TO INTERNATIONAL SANCTIONS

We could be adversely affected as a result of any transactions we have with persons in countries that are, or become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities administering sanctions measures.

The US and other jurisdictions or organisations, including the E.U., the U.K., the U.N. and Australia, have, through executive orders, legislation or other governmental means, implemented measures that impose economic sanctions against certain countries and their governments, or against targeted industry sectors, groups of companies or persons, and/or organisations.

During the Track Record Period, we sold food-grade glycine and sucralose to purchasers located in the Identified Regions, namely, Egypt, Guatemala, Hong Kong, Russia (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson) and Turkey for human food and pet food purposes. All of these regions are subject to certain forms of International Sanctions programmes administered by the Relevant Sanctions Authorities.

To the best knowledge of our Directors, for FY2022, FY2023 and FY2024, our revenue derived from the sales to the Identified Regions amounted to approximately RMB109.1 million, RMB52.6 million and RMB35.0 million, respectively, representing approximately 14.3%, 11.8% and 6.2% of our total revenue for the same periods, respectively, among which, our revenue generated from the sales to purchasers located in Russia amounted to RMB89.1 million, RMB31.9 million and RMB22.3 million, representing approximately 11.7%, 7.1% and 3.9% of our total revenue for the respective years. Please refer to the section headed "Business — Sales to regions with International Sanctions exposure" in this document for further details.

Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Targets. Further, new requirements or restrictions could increase the scrutiny on our business or result in one or more of our business activities being deemed subject to sanctions restrictions. If we fail to keep abreast of the latest developments in sanctions laws and regulations, we would not be able to minimise sanctions risk exposures. If any of our future activities with certain regions or jurisdictions are determined by the Relevant Sanctions Authorities or other relevant authorities administering sanctions measures in any other jurisdictions to constitute a violation of the sanctions imposed by these authorities or provides a basis for a sanctions designation of us, our business and reputation could be adversely affected. Also, any association with purchasers, customers, suppliers and service providers in countries subject to any form of sanctions programmes could subject us to actual or perceived reputational harm. Any such reputational harm could result in the loss of investors, customers, suppliers or service providers, which could in turn harm our business, financial condition or prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

It may be difficult to serve legal documents and enforce court judgments against us and our management.

We are a company established under the laws of the PRC, and a significant portion of our business, assets and operations are located in Mainland China. Moreover, most of our Directors, Supervisors and senior management reside in Mainland China, and a substantial portion of their assets are also located there. Hence, it could be difficult to effect service of legal process outside Mainland China upon us or our Directors, Supervisors or senior management.

On 14 July 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"). Pursuant to the 2006 Arrangement, a party holding a final judgment from a Hong Kong court requiring monetary payment in a civil and commercial matter according to a "choice of court agreement in writing" may apply for recognition and enforcement of such judgment in China, and vice versa. The pre-requisite under the 2006 Arrangement is that the parties in dispute agree to enter into a "choice of court agreement in writing". On 18 January 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") was entered into. On 26 October 2022, the Hong Kong Legislative Council passed The Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (the "**MJREO**") to implement the 2019 Arrangement. Meanwhile, the Supreme People's Court of China promulgated a judicial interpretation to implement the 2019 Arrangement, which came into effect on 29 January 2024. The 2019 Arrangement supersedes the 2006 Arrangement and provides greater clarity and certainty regarding reciprocal recognition and enforcement of judgments in civil and commercial matters between the two regions. The 2006 Arrangement will continue to apply to a "choice of court agreement in writing" entered into before the effective date of the 2019 Arrangement. However, we cannot guarantee that all foreign court judgments against us or our Directors, Supervisors and senior management residing in China will be effectively enforced.

Although we will be subject to the Listing Rules and the Takeovers Code upon [**REDACTED**], holders of our H Shares will not be able to initiate legal proceedings based on violations of the Listing Rules. They will need to rely on the Stock Exchange to enforce its rules. The Listing Rules and the Takeovers Code do not have the force of law in Hong Kong.

We may be affected by exchange rate fluctuations and the PRC's existing foreign exchange regulations, and fluctuations in the value of Renminbi may impact our business.

Given our sale of products to and operations in various countries, we regularly deal in multiple currencies, such as US dollars, Renminbi, Euro and Baht. As a result, we face significant foreign exchange risk. We generate a portion of our revenue in Renminbi. Certain amount of such revenue may have to be converted into other currencies to fulfill our foreign currency obligations. For instance, we may require foreign currency to make dividend payments, if any, to holders of our H Shares.

According to the PRC's existing foreign exchange regulations, after completing the [**REDACTED**] and fulfilling certain procedural requirements, we will be able to conduct current account foreign exchange transactions, including dividend payments, without prior approval from the SAFE. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or their local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to holders of our H Shares or satisfy any other foreign exchange obligation.

Fluctuations in the exchange rate of Renminbi against Hong Kong dollars, US dollars and other foreign currencies are affected by, among other things, the changes in domestic and international political, economic conditions and monetary policies. Any appreciation of the Renminbi against the US dollars or any other foreign currencies may lead to a decrease in the value of our assets denominated in foreign currency. Conversely, any devaluation of the Renminbi may adversely affect the value of, and the dividends payable on, our H Shares in foreign currency terms. Additionally, we are currently obliged to obtain approval from the SAFE before converting significant amounts of foreign currencies into Renminbi. All of these factors could materially and adversely impact our business, financial condition and operating results.

We are a PRC enterprise and we are subject to PRC tax on our worldwide income, and any dividends distributed to holders of our H Shares and gains on sale of our H Shares by [REDACTED] may be subject to PRC tax.

Pursuant to applicable PRC tax laws, rules and regulations, non-PRC resident individuals and non-PRC resident enterprises have different tax obligations regarding dividends received from us or gains realised from the sale or other disposal of our H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on dividend income derived from China. We are required to withhold such tax from our dividend payments. If there is a tax treaty in place between China and the foreign jurisdiction where the individual resides to avoid double taxation and taxation evasion, the applicable tax rate shall be determined according to such tax treaty. Due to the typical applicable tax rate on dividends under such tax treaties or agreements being 10% and the large number of stockholders in a listed company, it is common practice for a domestic

non-foreign-investment enterprise with shares listed in Hong Kong to withhold dividend income tax at a rate of 10% to simplify tax administration. However, there is uncertainty regarding whether gains realised by non-PRC resident individuals from the sale of our H Shares are subject to the PRC individual income tax.

Pursuant to the EIT Law and other relevant PRC tax regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to a 10% PRC enterprise income tax on dividend income received from a PRC company and gains realised from the sale or other disposal of equity interest in a PRC company. The 10% tax rate may be reduced under special arrangements or applicable tax treaties between China and the jurisdiction where the non-resident enterprise is based. Under the applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including **[REDACTED]**). Non-PRC resident enterprises eligible for a reduced tax rate under any applicable income tax treaty will need to apply to the PRC tax authorities for a refund of any excess withholding tax and the refund will be subject to verification by the PRC tax authorities.

If there is any updates in the applicable tax laws and regulations or in the interpretation or application of the PRC EIT Law and other relevant PRC tax regulations, the value of your investment in our H Shares may be materially affected.

Dividend payments are required to comply with relevant PRC laws and regulations.

In accordance with the PRC laws, dividends can only be paid from distributable profits. Our distributable profits are calculated by covering losses and deducting appropriations to statutory surplus reserve and discretionary surplus reserve (as approved by our Shareholders' meeting) from our distributable net profit. The appropriations are based on the unconsolidated net profit determined under PRC GAAP, while our distributable net profit represents the lower of (i) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of the period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under HKFRS. Therefore, there is a possibility that we may not have sufficient distributable profits, if any, to distribute dividends to our Shareholders in the future, even if we generate an accounting profit for a particular period. Any distributable profits which are not distributed in a given year will be retained and can be distributed in subsequent years.

RISKS RELATING TO THE [REDACTED]

Our H Shares have not been publicly [REDACTED] in the past, and the [REDACTED] and [REDACTED] of our H Shares may experience significant volatility, which could lead to substantial losses for [REDACTED].

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our H Shares. The **[REDACTED]**, determined through negotiations between ourselves and the

[**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), may differ significantly from the [**REDACTED**] of our H Shares following the [**REDACTED**]. Although we have applied for the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares on the [**REDACTED**], the [**REDACTED**] itself does not guarantee the development of an active and liquid [**REDACTED**] for our H Shares. Even if it does develop, there is no assurance that it will be sustained after the [**REDACTED**], and there is a possibility that the [**REDACTED**] of our H Shares may decline.

The [**REDACTED**] and [**REDACTED**] of our H Shares may be volatile, influenced by the following factors:

- actual or anticipated fluctuations in our revenue and operating results;
- relationships with our customers and suppliers;
- news related to the recruitment or departure of key personnel;
- changes in global regulatory developments within our industry;
- changes in earnings estimates or recommendations made by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments that affect us or our industry;
- the business performance and market price of shares of other companies engaging in similar business; and
- the release of lock-up periods or other transfer restrictions on our existing H Shares, as well as sale or perceived sale of additional H Shares by us or other Shareholders.

Furthermore, the securities market has regularly experienced significant price and volume fluctuations that are not linked, directly or indirectly, to the operating performance of the underlying companies. These fluctuations can be influenced by broader political and economic conditions in the PRC (including Hong Kong) or other parts of the world. Such market and industry fluctuations, beyond our control, may have a material and adverse impact on the [**REDACTED**] and [**REDACTED**] of our H Shares.

We cannot assure you that the [**REDACTED**] and [**REDACTED**] of our H Shares will remain stable or even appreciate over time. [**REDACTED**] should be aware that they may incur substantial losses. Moreover, the volatility in the [**REDACTED**] and [**REDACTED**] of our H Shares may have a negative impact on our ability to raise capital in the future by [**REDACTED**] additional equity securities.

[REDACTED] of our H Shares in the [REDACTED] may experience dilution of shareholdings if we [REDACTED] additional H Shares pursuant to the exercise of the [REDACTED].

The [**REDACTED**] comprises: (i) the [**REDACTED**] of [**REDACTED**] H Shares (subject to reallocation); and (ii) the [**REDACTED**] of [**REDACTED**] H Shares (subject to reallocation and the [**REDACTED**]). The [**REDACTED**] in the [**REDACTED**] will represent approximately [**REDACTED**]% of our enlarged issued share capital immediately after completion of the [**REDACTED**], without considering the exercise of the [**REDACTED**]. If the [**REDACTED**] is fully exercised, an additional [**REDACTED**] will be issued and the additional [**REDACTED**] will represent approximately [**REDACTED**]% of our issued share capital immediately following completion of the [**REDACTED**]. As a result, [**REDACTED**] of our H Shares will experience dilution of their shareholdings.

The [REDACTED] of our H Shares could be materially and adversely affected by substantial future sales, the expectation of substantial sales or further issue of our H Shares in the [REDACTED] after the [REDACTED].

Although our Controlling Shareholders are restricted from selling their H Shares within 12 months from the [**REDACTED**] as described in the section headed "[**REDACTED**]" in this document, future sales of a substantial number of our H Shares by our Controlling Shareholders or other existing shareholders in the [**REDACTED**], or the perception that such sales may occur, could result in a decline in the [**REDACTED**] of our H Shares. This could also have a significant impact on our ability to raise capital through future [**REDACTED**] of our H Shares. Additionally, despite our current cash reserves and the [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our ongoing growth and other future developments. We cannot assure you that we will be able to obtain financing in sufficient amounts or on acceptable terms. If we are unable to secure additional funds, we may have to issue and sell additional equity securities, which could have implications for the [**REDACTED**] of our H Shares.

We cannot assure you that our Controlling Shareholders or other existing shareholders will refrain from disposing of their H Shares or that we will not issue H Shares under the general mandate granted to our Directors upon the expiration of the aforementioned restrictions. We cannot predict the effect, if any, of any future sales of H Shares by our Controlling Shareholders or other existing shareholders, or the issue of Shares by our Company, on the [**REDACTED**] of our H Shares. The sale or issue of a significant number of H Shares by our Controlling Shareholders or us, or the market perception that such transactions may occur, could have a material and adverse effect on the prevailing [**REDACTED**] of our H Shares.

Any possible further conversion of our Domestic Shares into H Shares in the future could increase the number of our H Shares in the [REDACTED] and negatively impact the [REDACTED] of our H Shares.

We have filed with the CSRC for the conversion of **[REDACTED]** Domestic Shares into H Shares on a one-for-one basis upon completion of **[REDACTED]**. After **[REDACTED]**, we may apply to the CSRC for converting certain or all of our remaining Domestic Shares into H Shares. According to the stipulations by the State Council's securities regulatory authorities, our Domestic Shares may be converted into H Shares, and such converted H Shares may be **[REDACTED]** or **[REDACTED]** on an overseas stock exchange provided that prior to the conversion and **[REDACTED]** of such converted Shares, the filing procedures have been duly completed and the notification of completed filing has been received from the relevant PRC regulatory authorities, including the CSRC. Once domestic unlisted shares are **[REDACTED]** and **[REDACTED]** on the Stock Exchange, they may not be transferred back to onshore China again. Our remaining Domestic Shares may be converted into H Shares from time to time in the future. Such conversions could increase the number of our H Shares available and negatively impact the **[REDACTED]** of our H Shares.

We may not be able to pay dividends in the foreseeable future after the [REDACTED].

We may not be able to distribute any cash dividends in the foreseeable future. Therefore, **[REDACTED]** in our H Shares should not be relied upon as a source of future dividend income.

Whether we are able to pay dividends depends on various factors, including our ability to generate sufficient earnings. The decision to declare and pay dividends will be made by our Board at its discretion and subject to corporate approval processes. In making such decision, the Board will consider our financial performance, cash flows, operating and capital expenditure requirements, distributable profits under PRC GAAP or HKFRS, our Articles of Association and other constitutional documents, the PRC Company Law and other relevant PRC laws and regulations, market conditions, business strategy and projections, contractual obligations, taxation, global regulatory constraints and other factors deemed relevant by our Board. As a result, there can be no assurance as to when and in what form we will pay dividends in the future. Due to the above considerations, we may not be able to pay dividends according to our dividend policy. Please refer to the section headed "Financial information — Dividends" in this document.

We retain significant discretion in determining how the [REDACTED] of the [REDACTED] will be utilised, and you may not necessarily agree with our decision.

The ways in which our management utilises the **[REDACTED]** from the **[REDACTED]** may not align with your preferences or result in a favourable return for our Shareholders. For details, please refer to the section headed "Future plans and **[REDACTED]** — **[REDACTED]**". However, our management retains discretion as to the actual application of our **[REDACTED]**. You are entrusting your funds to our management and relying on their judgment for the intended uses of the **[REDACTED]**.

Certain facts, forecasts and statistics derived from external sources contained in this document may not be reliable.

Certain information and statistics presented in this document, particularly those related to the general economy and the food additives manufacturing industry, have been obtained from various public sources, industry associations, independent research institutes and other third-party sources. This includes a report commissioned by us from CIC. We have not independently verified the information and statistics obtained from official government sources. While we have exercised reasonable care in reproducing the information, we cannot guarantee that these facts and statistics are wholly accurate and reliable. It is important to note that there may be potential flaws or limitations in the collection methods or discrepancies between published information and market practices, leading to inaccuracies in the statistics provided. Therefore, it is essential to carefully consider the weight and importance to be placed on these facts and statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document includes statements and information which are forward-looking and uses forward-looking terminology including "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that relying on any forward-looking statement involves inherent risks and uncertainties, and the assumptions underlying these statements may prove to be inaccurate, rendering the forward-looking statements themselves incorrect. Given these risks and uncertainties, the forward-looking statements in this document should not be taken as representations or warranties by us that our plans and objectives will be achieved. It is crucial to consider these forward-looking statements in the context of various significant factors, as outlined in this section. Unless required by the Listing Rules, we have no intention to publicly update or revise the forward-looking statements in this document, whether due to new information, future events or other reasons. Therefore, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this document are subject to this cautionary statement.

[REDACTED] should read the entire document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

The **[REDACTED]** is solely based on the information and representations provided in this document, which are true and accurate to the best of our knowledge and belief. You should not rely on any information not contained in this document when making an investment decision regarding the **[REDACTED]** securities.

Prior to the publication of this document, there may have been media coverage about us and the [**REDACTED**]. Such coverage may have included financial information, projections, valuations and other forward-looking information. [**REDACTED**] should be aware that third-party information and opinions may have been based on outdated, incomplete or inaccurate data. Additionally, these sources may have conflicts of interest, and their opinions may lack independence or objectivity. The media's coverage of our Company and the [**REDACTED**] may be influenced by various factors, such as the bias of individual journalists, media outlet preferences and advertiser demands.

We have not authorised the disclosure of any information in the press or media. We do not assume responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation regarding the appropriateness, accuracy, completeness or reliability of information published in the media. Therefore, prospective [**REDACTED**] are advised to base their [**REDACTED**] decisions solely on the information contained in this document and should not rely on any other sources of information.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant for a primary [**REDACTED**] on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules. Our management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. Our Directors consider that either by means of relocation of our existing executive Directors or appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

As such, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of, among others, the following conditions:

(a) our Company has appointed Ms. Zuo Yue, our executive Director, and Ms. Wong Wai Yee Ella, our joint company secretary, as the authorised representatives (the "**Authorised Representatives**", each the "**Authorised Representative**") pursuant to Rule 3.05 of the Listing Rules, and they will serve as the principal channel of communication of our Company with the Stock Exchange and ensure that our Company will comply with the Listing Rules at all times. The Authorised Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the Authorised Representatives has been duly authorised to communicate on behalf of our Company with the Stock Exchange;

(b) our Company will only change the Authorised Representatives after notifying the Stock Exchange of such change and having made an appropriate replacement;

(c) each of the Authorised Representatives has access to all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matter. Each of the Directors has provided his/her mobile phone number, office phone number, facsimile number and email address to the Authorised Representatives. In the event that a Director expects to travel or is otherwise out of office, he/she will endeavour to provide the telephone number of the place of his/her accommodation to the Authorised Representatives or maintain an open line of communication via his/her mobile telephone;

(d) our Company has appointed CMBC International Capital Limited as our compliance adviser (the "**Compliance Adviser**"), pursuant to Rule 3A.19 of the Listing Rules, who has access at all times to the Authorised Representatives, Directors, senior management and other officers of the Company and will act as the additional channel of communication of the Company with the Stock Exchange. The Compliance Adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing from the **[REDACTED]** at least until the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year after the **[REDACTED]**;

(e) meetings between the Stock Exchange and the Directors can be arranged through the Authorised Representatives or the Compliance Adviser or directly with the Directors within a reasonable period of time; and

(f) each of our Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong has or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who is, by virtue of his/her academic or professional qualifications or relevant experience, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance; and

(c) a certified public accountant as defined in the Professional Accountants Ordinance.

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the 15 hours minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Wong Wai Yee Ella (黃慧兒) ("**Ms. Wong**") and Mr. Zheng Mo (鄭莫) ("**Mr. Zheng**"), as the joint company secretaries of our Company. Please refer to the section headed "Directors, Supervisors and senior management" of this document for further biographical details of Ms. Wong and Mr. Zheng.

Ms. Wong is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, who fully complies with the requirements under Rules 3.28 and 8.17 of the Listing Rules to act as the joint company secretary. Accordingly, while Mr. Zheng does not possess the qualification required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the arrangements below:

(a) Mr. Zheng will endeavour to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organised by our Company's legal advisers as to the laws of Hong Kong on an invitation basis, and seminars organised by the Stock Exchange or other professional body for PRC issuers from time to time. Mr. Zheng will also be assisted by our Company's compliance adviser and legal advisers as to the laws of Hong Kong on matters in relation to our Company's continuing compliance obligations under the Listing Rules and the applicable laws and regulations;

(b) Ms. Wong, a joint company secretary who meets all the requirements under Rules 3.28 and 8.17 of the Listing Rules, will work closely with and to provide assistance to Mr. Zheng in the discharge of his duties as a company secretary for an initial period of three years commencing from the [**REDACTED**] so as to enable Mr. Zheng to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary;

(c) before the end of the initial three-year period, the Company must demonstrate and seek the Stock Exchange's confirmation that Mr. Zheng, having had the benefit of Ms. Wong's assistance during the three-year period, has attained the relevant experience under note 2 to Rule 3.28 and is capable of discharging the functions of company secretary so that a further waiver would not be necessary; and

(d) the waiver will be revoked immediately if Ms. Wong ceases to provide assistance to Mr. Zheng as a joint company secretary for the three-year period after **[REDACTED]** or if there are material breaches of the Listing Rules by the Company.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Wang Xiaoqiang (王小強)	14E, Ruihe Yena Kaien Court Baishi 3rd Road, Nanshan District Shenzhen, Guangdong PRC	Chinese
Wang Hao (王皓)	23B, Block 2, Building 7, Century Village Wangfu No. 118 Shahe East Road Nanshan District Shenzhen, Guangdong PRC	Chinese
Chen Lijun (陳麗君)	16D, Building A, Huifangyuan No. 168 Nanguang Road Nanshan District Shenzhen, Guangdong PRC	Chinese
Wu Dingfeng (吳丁峰)	Room 901, Unit 2, Block 24 Hengda Emperor View No. 16 Shangxian Road Jizhou District Ji'an, Jiangxi PRC	Chinese
Zuo Yue (左玥)	Room 601, Unit 2, Building 9 Qingyuan District Organ Residential Complex, No. 9 Dongjinggang Road Hedong Street, Qingyuan District Ji'an, Jiangxi PRC	Chinese
Non-executive Director		
Xiao Fan (肖帆)	1101, San Sheng International Park No. 14 Long Island District No. 133 Fufeng Road, Jin'an District Fuzhou, Fujian PRC	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
Song Jingjin (宋京津)	302, Unit 1, Building 3, Education Building, No. 527 Bayi Avenue Donghu District Nanchang, Jiangxi PRC	Chinese
Li Ling (李玲)	2-2-301, New City Uyue Mansion No. 77 Aixi Lake North Road Aixi Lake Management Office Qingshan Lake District Nanchang, Jiangxi PRC	Chinese
Lo Kwing Yu (盧炯宇)	Flat D, 31/F., Tower 2 Robinson Heights, 8 Robinson Road Mid-Levels, Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Residential address	Nationality
Shi Yueqiang (施越強)	2-2-902, Danguiyuan Nanchang, Jiangxi PRC	Chinese
Guo Lideng (郭麗燈)	Rice Seed Farm Branch, Dengbu Town Yujiang District Yingtan, Jiangxi PRC	Chinese
Liu Huojin (劉鈥金)	Liu Family, Xiaohu Village Ji'an County, Ji'an, Jiangxi PRC	Chinese

SENIOR MANAGEMENT

Name	Residential address	Nationality
Wang Xiaoqiang (王小強)	14E, Ruihe Yena Kane Court Baishi 3rd Road, Nanshan District Shenzhen, Guangdong PRC	Chinese
Wang Hao (王皓)	23B, Block 2, Building 7 Century Village Wangfu No. 118 Shahe East Road Nanshan District Shenzhen, Guangdong PRC	Chinese
Chen Lijun (陳麗君)	16D, Building A, Huifangyuan No. 168 Nanguang Road Nanshan District Shenzhen, Guangdong PRC	Chinese
Huang Donggen (黃冬根)	1-2-701, Xiangheyuan Ganjiang Avenue, Ji'an County Ji'an, Jiangxi PRC	Chinese
Wan Zhixin (萬智欣)	3-1-1501, Yangjiazhuang District Hedong Street, Qingyuan District Ji'an, Jiangxi PRC	Chinese
Zheng Mo (鄭莫)	603, Unit 2, Building 2 No. 28 Industrial Road 9 Shekou Nanshan District Shenzhen, Guangdong PRC	Chinese

Please refer to the section headed "Directors, Supervisors and senior management" in this document for further details.

PARTIES INVOLVED

Sole Sponsor	**CMBC International Capital Limited** 45/F, One Exchange Square 8 Connaught Place Central, Hong Kong

[**REDACTED**]

[REDACTED]

Legal advisers to the Company

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

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

As to Thailand law:
DTL Law Office Co., Ltd.
33/4 The Ninth Tower, Tower A, 34/F
Rama 9 Road, Huaykwang Sub-District
Huaykwang District
Bangkok, 10310, Thailand

As to Indonesian law:
GHP Law Firm
World Trade Center 3
Level 27 JI. Jend.
Sudirman Kav. 29-31
Jakarta 12920, Indonesia

As to Netherlands law:
Buren N.V.
WTC, Tower Seven, 14/F
Strawinskylaan 1441
1077 XX Amsterdam
The Netherlands

As to International Sanctions law:
Ashurst Hong Kong
42/F & Suites 4312-4317 and 4304A of
43/F, Jardine House
1 Connaught Place
Central, Hong Kong

As to US anti-dumping law and regulation:
ICW Law Corporation
3452 E. Foothill Blvd.
Suite 322
Pasadena
California 91107, US

Legal advisers to the Sole Sponsor and the [REDACTED]

As to Hong Kong law:
Chiu & Partners
40/F, Jardine House
1 Connaught Place
Hong Kong

	As to PRC law: **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District, Beijing 100025, China
Auditor and reporting accountants	**Confucius International CPA Limited** *Certified Public Accountants* Room 1501-08, 15/F Tai Yau Building 181 Johnston Road Wanchai, Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road, Jing'an District Shanghai, China
Internal control consultant	**SHINEWING Risk Services Limited** 17/F, Leighton Centre Causeway Bay Hong Kong
Compliance adviser	**CMBC International Capital Limited** 45/F, One Exchange Square 8 Connaught Place Central, Hong Kong

[REDACTED]

Registered office, headquarters and principal place of business in the PRC	Jinggangshan Economic and Technological Development Zone Ji'an, Jiangxi, PRC
Principal place of business in Hong Kong	1915, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's website	**www.newtrend-group.com** *(Note: information contained in this website does not form part of this document)*
Joint company secretaries	**Mr. Zheng Mo (鄭莫)** 603, Unit 2, Building 2 No. 28 Industrial Road 9 Shekou Nanshan District Shenzhen, Guangdong PRC **Ms. Wong Wai Yee Ella (黃慧兒)** *(HKCGI, CGI)* 1915, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorised representatives	Ms. Zuo Yue and Ms. Wong Wai Yee Ella
Audit committee	Dr. Song Jingjin (宋京津) *(Chairperson)* Dr. Li Ling (李玲) Mr. Lo Kwing Yu (盧炯宇)
Remuneration committee	Dr. Song Jingjin (宋京津) *(Chairperson)* Mr. Lo Kwing Yu (盧炯宇) Ms. Chen Lijun (陳麗君)
Nomination committee	Mr. Wang Xiaoqiang (王小強) *(Chairperson)* Dr. Song Jingjin (宋京津) Dr. Li Ling (李玲)

[REDACTED]

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

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the **[REDACTED]**. *The information from official government sources has not been independently verified by us, the Sole Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

SOURCES OF INDUSTRY INFORMATION

Unless otherwise specified, all data and forecasts contained in this section are derived from the consultancy report issued by CIC, which was commissioned to conduct an analysis and report on the global and the PRC's glycine and sucralose markets at a rate of RMB700,000. The commissioned report has been prepared by CIC without influence from the Company and other stakeholders. Services of CIC include industry consulting, commercial due diligence, strategic consulting and others. Its consultant team has been tracking the latest market trends in the chemicals, consumer goods, environment, energy, medicals, transportation, agriculture, e-commerce, finance and other sectors, and has insightful market intelligence in the above industries.

CIC conducted both primary and secondary research using a variety of sources. Primary research involved interviews with key industry experts and leading industry players. Secondary research involved analysing data from various publicly available data sources such as the National Bureau of Statistics, the General Administration of Customs of the PRC, the International Monetary Fund, etc.. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic and political environment in the PRC is expected to remain stable during the forecast period; (ii) driven by continuous urbanisation, economic and industrial development of the PRC is likely to maintain a steady growth trend during the forecast period; (iii) relevant key industry drivers (increased consumers' awareness for nutrition, development of downstream industries, use of compounds with other sweeteners, maturation and application of new biosynthesis technologies, and wider application scope) are likely to drive the global and the PRC's sucralose and glycine markets during the forecast period; and (iv) there are no extreme force majeure events or unforeseen industry regulations that could have a drastic or fundamental impact on the market.

OVERVIEW OF GLOBAL AND PRC FOOD INGREDIENTS AND FOOD ADDITIVES INDUSTRY

In accordance with the Fundamental Terms of Food Industry (《食品工業基本術語》) (GB/T 15091-94), food ingredients represent any materials used and contained in the final products during food manufacturing and processing. Food ingredients can be further divided into three major categories, including food major ingredients, food minor

ingredients and food additives. Pursuant to the National Food Safety Standard of Food Additives (《食品安全國家標準食品添加劑使用標準》) (GB2760-2024), food additives refer to artificially synthesised or natural substances added into foods for the purpose of improving the quality, colour, smell, taste, corrosion protection, preservation and processing technology of foods. In terms of functions, food additives can be divided into 23 major categories, including sweetener (such as sucralose, Acesulfame K, etc.), flavour enhancer (such as glycine, monosodium glutamate, etc.), emulsifier, thickener and others. For details of the market sizes of sucralose and food-grade glycine, please refer to the paragraphs headed "Overview of global sucralose industry" and "Overview of global glycine industry" in this section.

Food additives are essential to food industry and are used for extending food shelf-lives, improving food quality, providing additional nutrition, enhancing food safety, facilitating to process and store, and other purposes, which significantly promoted the development of food industry. In addition, food additives from natural sources are characterised by nutritions, and are becoming more and more popular among consumers due to nutrition awareness. According to the CIC Report, in terms of sales volume, the size of global food additives market reached 65.5 million tons in 2023, representing 3.4% of CAGR during 2018-2023. Such scale is expected to increase to 75.8 million tons by 2028, representing 3.0% CAGR during 2023-2028, mainly driven by factors such as the development of food industry, increasing demand for food quality/taste/function/nutrition and safety from consumers, technological innovation and research and development, as well as improvement of laws and regulations related to food safety. The sales volume of food additives in China grew from 12.0 million tons in 2018 to 16.1 million tons in 2023, and is expected to further reach 19.4 million tons by 2028, representing a CAGR of 3.7% from 2023 to 2028.

The food additives industry is relatively fragmented. There are approximately 4,000 manufacturers that have obtained production qualification certificates from the State Administration of Market Regulation (國家市場監督管理總局) in China.

OVERVIEW OF GLOBAL SWEETENER INDUSTRY

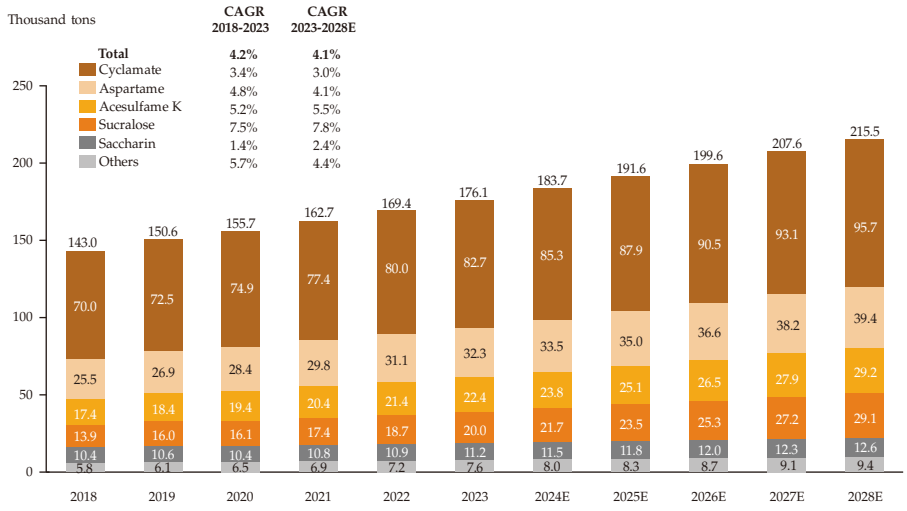
According to the National Food Safety Standard (《食品安全國家標準》) (GB2760-2024), sweetener is a substance that is added to food to give it a sweet taste. Sweetener can be divided into artificial sweetener, natural sweetener, and sugar alcohol sweetener based on the raw materials and the manufacturing process. Sweetener is generally lower in calories than high-calorie sources of sweetness such as sucrose and glucose fructose syrup. According to the CIC Report, in terms of sales volume, the size of global sweetener market grew from 2.2 million tons in 2018 to 2.6 million tons in 2023, with a CAGR of 3.4%, and is expected to reach 3.2 million tons by 2028, with a CAGR of 4.0% over the next five years.

Artificial sweetener includes saccharin (first generation, 1897), cyclamate (second generation, 1937), aspartame (third generation, 1965), acesulfame K (fourth generation, 1967), sucralose (fifth generation, 1976) and others (such as neotame and other lesser-used products). Artificial sweetener is usually a high-intensity sweetener with sweetness at least tens of times compared to that of sucrose.

According to the CIC Report, in terms of sales volume, the size of artificial sweetener market grew from 143.0 thousand tons in 2018 to 176.1 thousand tons in 2023, with a CAGR of 4.2%, and is expected to reach 215.5 thousand tons by 2028, with a CAGR of 4.1% over the next five years. As artificial sweetener is usually a high-intensity sweetener, in 2023, it accounts for more than 80% of sweetener in the world in terms of contribution to sweetness.

Among artificial sweeteners, saccharin and cyclamate are restricted in use by most countries due to safety concerns, whereas aspartame was classified as possibly carcinogenic to humans by the International Agency for Research on Cancer (IARC), the World Health Organization (WHO), the Food and Agriculture Organization (FAO) and the Joint Expert Committee on Food Additives (JECFA) in July 2023, and is expected to see a slowdown in the growth of use in the next few years. Acesulfame K and sucralose are gradually being accepted by downstream customers due to their better safety profile and higher stability. Sucralose is expected to be the fastest growing category of artificial sweeteners in the world over the next five years.

Size of artificial sweeteners market: sales volume by category (2018-2028E)



Source: CIC Report

OVERVIEW OF GLOBAL SUCRALOSE INDUSTRY

Overview

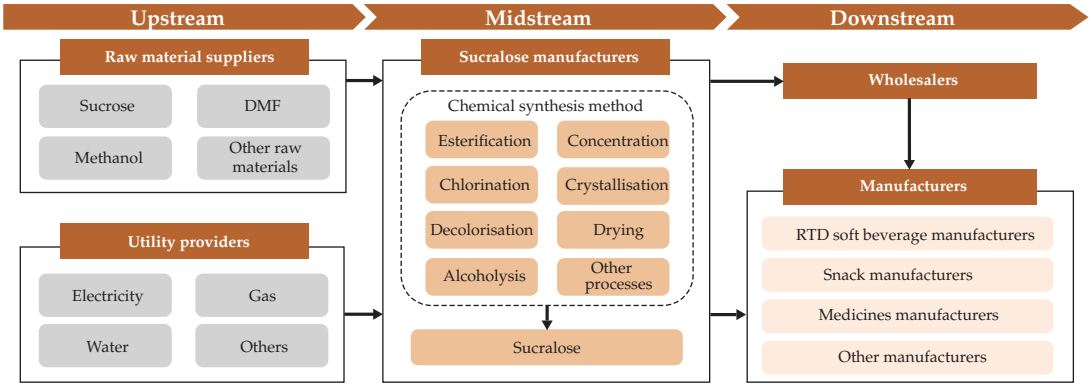
Sucralose, with the molecular formula of $C_{12}H_{19}Cl_3O_8$, was first synthesised in 1976 and is the fifth generation of artificial sweetener. Compared to other major artificial sweeteners, sucralose is widely recognised by downstream customers for its high sweetness, sound safety, good taste and high stability, and is used in various food and beverage. The alternatives of sucralose include aspartame and other artificial sweeteners. Artificial sweeteners are high-intensity sweeteners that could provide sweetness to food and beverages. However, due to the safety concern, most downstream manufacturers turn to sucralose over aspartame or cyclamate. Furthermore, Acesulfame K, like sucralose, is

considered a safe sweetener, but its taste is not as good as sucralose and is not expected to threaten the development of the global sucralose industry. The new generation products such as neotame may have potential impact on the overall sucralose market. However, the sweetness of neotame is over 8,000 times of sucrose, making it difficult for downstream manufacturers to balance the taste of food or beverage. As a result, neotame is not in large-scale commercial use as at the Latest Practicable Date.

Regarding the potential side effects and risks of overdose/improper use of sucralose, there are very few reports of adverse reactions to sucralose such as headaches and allergic reactions.

Currently, sucralose is mainly produced by chemical synthesis method. The upstream of sucralose is mainly sucrose and chemical raw materials, such as DMF, methanol, etc.. High-purity sucralose is obtained after esterification, chlorination, decolorisation, alcoholysis, concentration, crystallisation and other processes. Sucralose is mainly used in the food industry, including beverages, dairy products, ice cream, condiments, bakeries, etc., accounting for over 90% of the overall sales volume in 2023. In addition to the food industry, sucralose is also gradually accepted by manufacturers in the fields of pharmaceuticals, personal care and other areas and is used in medicines, toothpaste, cosmetics and other products.

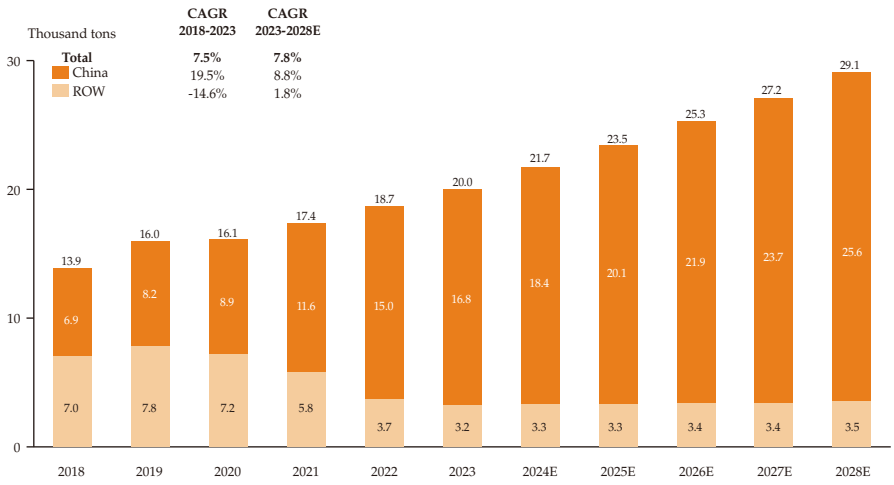
Sucralose industry chain, taking chemical synthesis method as an example



Source: CIC Report

According to the CIC Report, in terms of sales volume, the size of global sucralose market grew from 13.9 thousand tons in 2018 to 20.0 thousand tons in 2023, with a CAGR of 7.5%, and is expected to reach 29.1 thousand tons by 2028, with a CAGR of 7.8% over the next five years. Of which, the sales volume of sucralose produced in the PRC grew from 6.9 thousand tons in 2018 to 16.8 thousand tons in 2023, with a CAGR of 19.5%, and is expected to reach 25.6 thousand tons by 2028, with a CAGR of 8.8% over the next five years.

Size of global sucralose market: sales volume, production in the PRC and overseas (2018-2028E)



Source: The General Administration of Customs of the PRC, CIC Report

Industry drivers and future trends

- **Emerging preferences for low-calorie options.** Sweetness is one of the five basic tastes of human beings, and the improvement in people's living standards has boosted the demand for food and beverages with rich flavours. However, commonly used sweetening ingredients such as sucrose, glucose, and glucose fructose syrup are high in calories. As people's preferences for low-calorie options emerge, the demand for low-calorie sweetener is on the rise. Sucralose is increasingly favoured by downstream manufacturers and consumers due to low calories and good taste.

- **Development of downstream industries such as food, beverage, pharmaceuticals, and personal care.** In 2023, more than 85% of the sucralose in the world was used in the ready-to-drink soft beverages industry. The steady development of the ready-to-drink soft beverages market is supporting the steady growth of the sucralose industry. The global ready-to-drink soft beverages market increased from US$770.4 billion in 2018 to US$926.9 billion by 2023 and is expected to reach US$1,195.6 billion by 2028, with a CAGR of 5.2%. In addition, the application scope of sucralose is gradually expanding to include non-food areas such as toothpaste, cosmetics, and pharmaceuticals.

- **Compound use with other sweeteners.** The trend of using compound sweeteners in the downstream food and beverage industry is becoming notable. The compound use of sweeteners can give a taste closer to sucrose, providing a more balanced sweetness and generally improving product stability and shelf-life. For example, a leading carbonated beverage brand in the PRC uses sucralose and erythritol as a compound sweetener mix in its sodas.

- **Maturity and application of new biosynthetic technologies.** Currently, sucralose is mainly produced by chemical synthesis method. In recent years, due to the green, environmental-friendly and low-cost characteristics of the biological enzyme synthesis technology, it has received more and more attention from major manufacturers which have increased their R&D investment in this field. It is expected that in the future, with the maturity and application of biological enzyme synthesis technology, it will support the further sustainable development of the global sucralose industry.

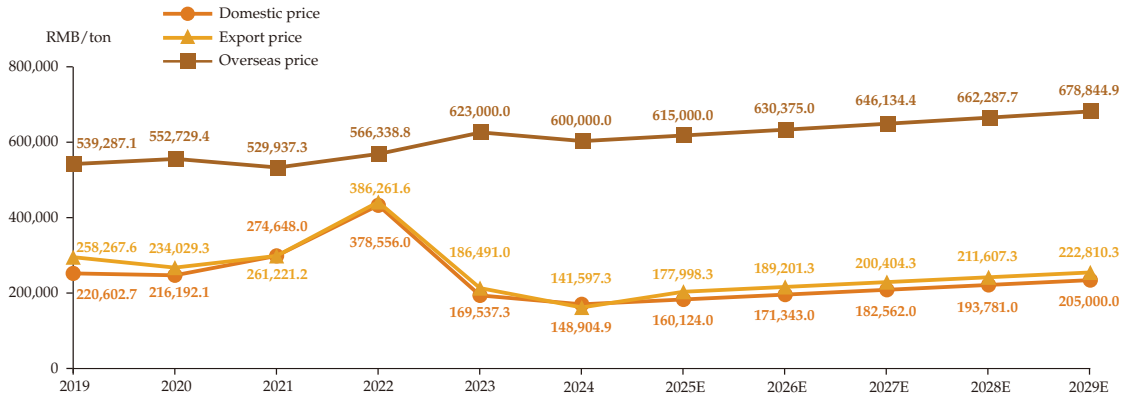
Price analysis of sucralose

The price of sucralose exported from the PRC has experienced large fluctuations over the past few years, where the average export price of the product decreased from RMB258,267.6 per ton in 2019 to RMB234,029.3 per ton in 2020. With the restriction of environmental protection policies such as the Guiding Opinions on Strengthening Prevention and Control at the Source of Ecological Environment in High Energy Consumption and High Emission Construction Projects issued by Ministry of Ecology and the Environment in 2021, the rising freight cost for transporting domestic sucralose to overseas markets, the average export price of sucralose reached RMB386,261.6 per ton in 2022. As advised by our PRC Legal Advisers, the aforementioned environmental policies and restrictions apply to both upstream chemical raw materials suppliers and the Company. During the Track Record Period, we complied with various Chinese environmental protection policies, which have not had any adverse impact on the normal operations of our Company. In 2024, the export price of sucralose dropped significantly to RMB141,597.3 per ton due to the expansion of production capacity of major global leaders and a decline in demand from downstream customers which stockpiled owing to concerns about further price surge. In 2024, albeit the price of sucralose exported from China continued to slide, the decline has slowed. The price of sucralose started to rise in the third quarter of 2024 and has stabilised in the first quarter of 2025. It is expected to rise in 2025 due to the anticipated growth of demand for sucralose from downstream manufacturers (especially food and beverage companies).

Overseas sucralose prices are relatively higher than domestic price due to factors such as downstream customer recognition, manufacturers' brand awareness, as well as customers' demand to diversify supply source. Some foreign downstream customers of sucralose show a preference of choosing sucralose suppliers whose production factory located outside of China, taking into the consideration of securing stable supply, different producing regulations and mitigating the risks from international trade such as international relations and volatile tariff. During the Track Record Period, the U.S. duty rate for sucralose subject to the China-wide rate is 3.7%, the general rate. In addition, the price fluctuation of sucralose overseas is relatively smooth, mainly attributable to the relatively stable downstream demand from a major overseas manufacturer, which has certain bargaining power in the overseas market.

With Executive Order of 3 March 2025 issued by President Donald Trump, effective on 4 March 2025, most U.S. imports from China are now subject to the US 2025 IEEPA Tariff, in addition to any other applicable import duties with certain exemptions. The additional duties may raise export costs or price of products exported from China. It is indeterminate whether further discussions between China and the US will materialise, as well as potential adjustments to tariff policies or impact on entities with global operations and supply chains.

Average price of sucralose: by sales method (2019-2029E)



Source: The General Administration of Customs of the PRC, CIC Report

The sucralose market in the PRC is highly concentrated, where few manufacturers dominate while smaller manufacturers still exist. Under such circumstances, manufacturers tend to compete by lowering product prices to gain a larger market share, triggering multiple price wars in PRC sucralose market during the past few years. The recent sucralose price war (the "**Sucralose Price War**") in the PRC's sucralose market, which began from 2022, is mainly attributable to the oversupply in the sucralose market as a result of aggressive expansion in production capacity by manufacturers in the past two years. As market supply of sucralose exceeds the demand, manufacturers are willing to sell product in extreme low price to reduce the storage. In addition, leading companies, driven by the imperative to preserve their respective market shares and to curb the influx of minor competitors that could potentially undermine the sustainable growth and profitability of the industry, have triggered the price war. Compared with small-scale companies, leading companies are less affected by the price war as they usually enjoy lower unit costs with a large number of long-term orders.

In 2023, the average selling price of sucralose of the Company is higher than the industry average and ranked first among top five sucralose manufacturers in the PRC sucralose market. Similarly, the Company's price of sucralose in both domestic and export market rank first among top five sucralose manufacturers in the PRC sucralose market. Our Directors consider that pricing of the Company is subject to its long-term client relationship and profit-oriented business strategy. Firstly, our Directors are of the view that the Company holds a distinguished position within the leading companies in the PRC, having been established earlier than any of the other top five manufacturers in the PRC sucralose market. The early establishment enables the Company to forge and sustain long-term relationships with clients and the trust and loyalty are often reflected in the

pricing. Secondly, our Directors are of the view that compared with the other three of the top five manufacturers in the PRC sucralose market which have increased their sales volume in 2023, the Company focuses on sustainable profitability and chose not to engage in price wars by limiting the sales volume, inducing a higher average price in 2023. The Company also holds a high proportion of direct selling contracts, which is approximately 59.0% of total revenue in 2023. In contrast to sales made to wholesalers, direct sales to manufacturers enable the potential for sucralose manufacturers to command higher prices. The percentage of direct selling contract of the Company is higher than the industry average, resulting a higher pricing of the Company in 2023.

Compared to the previous price war (2019-2021), the current Sucralose Price War poised to be more intense as the average price of sucralose in the PRC dropped to RMB105,789.5 per ton in June 2024, reaching the price below the lowest price, RMB205,000.0 per ton, of the previous price war. As the gross profit margin has decreased, leading companies are expected to increase prices in the near term to restore profit margins. In addition, nearly half of the over 10 main sucralose manufacturers that maintained production in FY2022 have ceased their production as of June 2024. In August and September 2024, several major sucralose manufacturers in the PRC increased their respective selling price of sucralose in the PRC (with market price of sucralose in the PRC increased from approximately RMB105,789.5 per ton in June 2024 to RMB191,333.3 per ton in September 2024), which indicated the end of the Sucralose Price War. During the first quarter of 2025, the market price of sucralose in the PRC ranged from approximately RMB180,000 per ton to approximately RMB200,000 per ton.

OVERVIEW OF GLOBAL GLYCINE INDUSTRY

Overview

Glycine, also known as aminoacetic acid, with the molecular formula $C_2H_5NO_2$, is a type of amino acid. Glycine products can be classified as industrial-grade, food-grade, and others (e.g., pharmaceutical-grade) based on the physicochemical indicators they meet and their downstream applications. Compared with industrial-grade glycine, food-grade and pharmaceutical-grade products have higher requirements for product purity, chlorine content, loss on drying and other indicators. For example, according to the requirements of National Food Safety Standard-Food Additive-Glycine (GB 25542-2010), food-grade glycine, as a food additive, needs to meet the following physicochemical indicators, such as assay on dried basis of 98.5%-101.5%, loss on drying ≤0.20%, and residue on ignition ≤0.10%. In addition to the direct preparation of food-grade or pharmaceutical-grade glycine through advanced purification processes, most manufacturers choose a step-by-step purification approach, that is, purifying from industrial-grade glycine to food-grade glycine, and then further purifying to pharmaceutical-grade glycine.

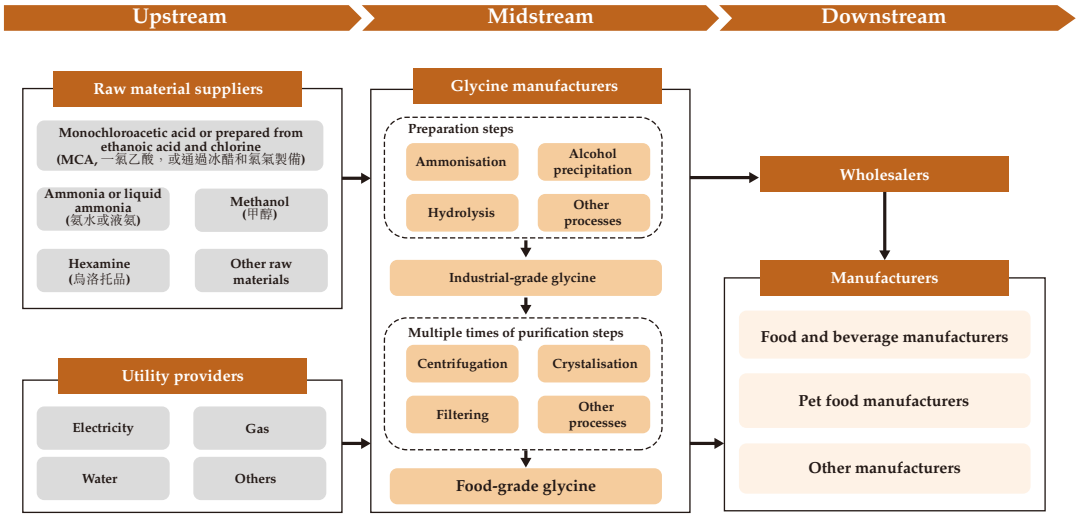
Glycine plays a key role in the creation of several other important bio-compounds and proteins. Glycine is the simplest amino acid and one of the most important amino acids, and there is currently no complete alternatives to glycine. Food-grade glycine can act as feed attractants, condiments/flavour enhancers, surfactants and stabilisers/preservatives in pet food, daily consumer goods, soy sauces, fish paste, etc.. National Food Safety Standard of

Food Additives (《食品安全國家標準食品添加劑使用標準》) (GB2760-2024) lists food-grade glycine as a flavour enhancer, and monosodium glutamate, disodium 5'-inosinate, disodium 5'-guanylate are also common flavour enhancers. Regarding the potential side effects and risks of overdose/improper use of glycine, there are rare reports of adverse reactions to glycine such as diarrhea, nausea, stomach and vomiting.

Currently, there are several methods to produce glycine on an industrial scale, including chloroacetic acid ammonolysis method, Strecker's method, hydrocyanic acid synthesis method, etc.. With the development of biosynthesis technology, it is expected that biosynthesis method for the preparation of glycine, with the green, environmental-friendly and low-cost characteristics, will also achieve industrial scale production in the future.

Taking the chloroacetic acid ammonolysis method as an example, the raw materials include chloroacetic acid (which can be purchased externally or prepared by acetic acid and chlorine), liquid ammonia, urotropine, methanol, etc.. High-purity glycine can be obtained after several processes such as ammonisation, alcohol precipitation, drying, filtering, crystallisation, etc.. Glycine has a wide range of applications, the most important of which is in the herbicide industry for the manufacture of glyphosate. In addition, glycine can be used as flavour enhancer in condiments or feed attractants in pet food, as well as in other fields such as pharmaceuticals and cosmetics.

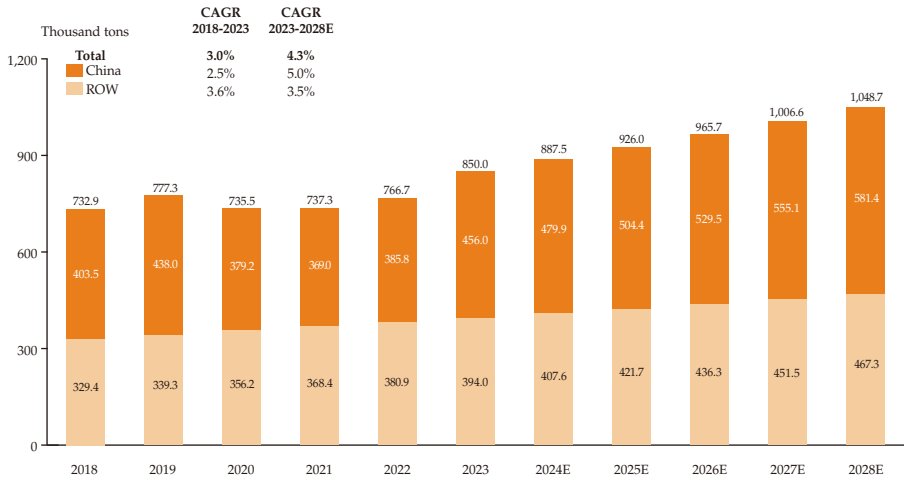
Glycine industry chain, with chloroacetic acid ammonolysis method to prepare food-grade glycine as an example



Source: CIC Report

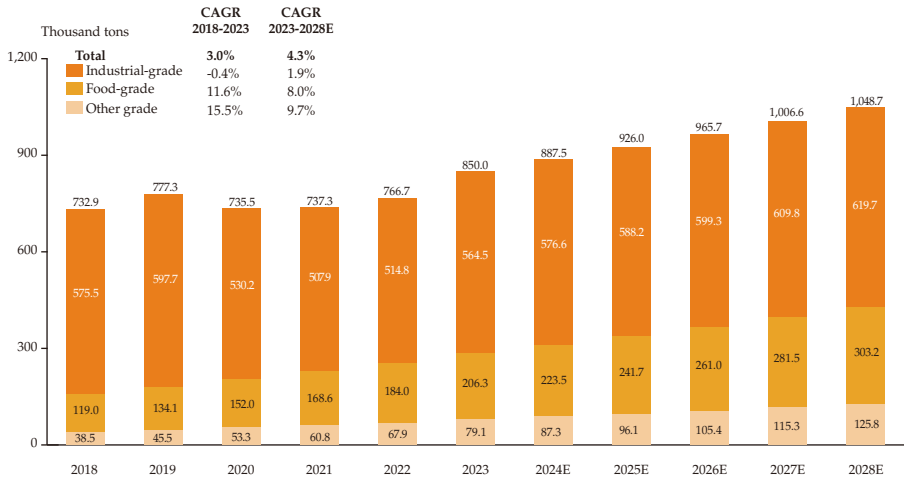
According to the CIC Report, in terms of sales volume, the size of global glycine market grew from 732.9 thousand tons in 2018 to 850.0 thousand tons in 2023, with a CAGR of 3.0%, and is expected to reach 1,048.7 thousand tons by 2028, with a CAGR of 4.3% over the next five years. Of which, sales volume of glycine produced in the PRC grew from 403.5 thousand tons in 2018 to 456.0 thousand tons in 2023, with a CAGR of 2.5%, and is expected to reach 581.4 thousand tons by 2028, with a CAGR of 5.0% over the next five years.

Size of global glycine market: sales volume, production in the PRC and overseas (2018-2028E)



Source: The General Administration of Customs of the PRC, CIC Report

Size of global glycine market: sales volume, by food-grade, industrial-grade and other grade (2018-2028E)



Source: The General Administration of Customs of the PRC, CIC Report

Industry drivers and future trends

- ***Development of downstream industries:*** glycine is a non-essential amino acid that is widely used in downstream industries such as condiments, functional foods, dietary supplements, pet foods, pharmaceuticals, glyphosate, etc.. As consumers' awareness for nutrition increases, the functional food and dietary supplement markets are expanding rapidly, leading to a surge in demand for glycine as a nutritional supplement. In addition, the rising number of pets has led to the rapid growth of the pet food industry, which has also fueled the rapid growth in sales volume of food-grade glycine. For instance, the pet food industry in the PRC reached RMB100.3 billion in 2023, almost 2.5 times from that of 2018.

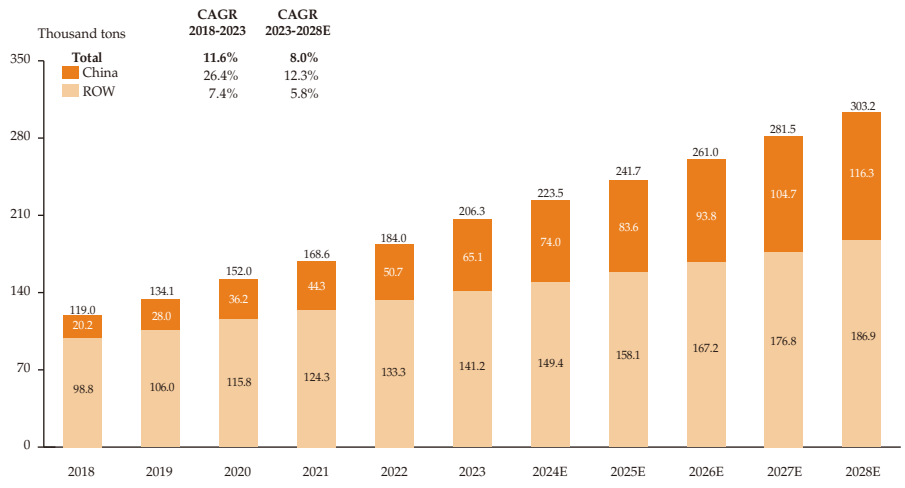
- ***Expansion of application scenarios:*** in recent years, glycine has made significant breakthroughs in clinical research applications in areas such as anti-wrinkle and anti-aging, further expanding its application scope. Studies have shown that glycine can effectively promote collagen synthesis in skin, improve skin elasticity and reduce fine lines. These findings have laid a solid foundation for the application of glycine in cosmetics and beauty care, with increasing number of skin care and beauty products adopt glycine as an active ingredient. With continuous R&D and investment, the application scenarios of glycine will continue to expand, driving the steady development of the global glycine industry.

- ***Advancement of biosynthesis technology:*** currently, most amino acids can be produced by biosynthesis, such as glutamic acid, lysine, and threonine, etc.. However, biosynthesis production of serine has yet to reach large-scale industrial production due to low stability and low conversion rate. It is expected that with the further development of biosynthesis technology, the production process of serine with glycine as raw material will be more mature, which will further promote the development of global glycine industry.

Overview of food-grade glycine

According to the CIC Report, in terms of sales volume, the size of global food-grade glycine market grew from 119.0 thousand tons in 2018 to 206.3 thousand tons in 2023, with a CAGR of 11.6%, and is expected to reach 303.2 thousand tons by 2028, with a CAGR of 8.0% over the next five years. Of which, sales volume of food-grade glycine produced in the PRC grew from 20.2 thousand tons in 2018 to 65.1 thousand tons in 2023, with a CAGR of 26.4%, and is expected to reach 116.3 thousand tons by 2028, with a CAGR of 12.3% over the next five years.

Size of global food-grade glycine market: sales volume, production in the PRC and overseas (2018-2028E)



Source: The General Administration of Customs of the PRC, CIC Report

Price analysis of food-grade glycine

The average price of food-grade glycine products exported from the PRC is relatively stable from 2019 to 2020. In 2021, due to factors such as production shutdowns caused by China's environmental protection policy restrictions, such as the 2021-2022 Autumn and Winter Action Plan for Air Pollution Management issued by the Ministry of Ecology and Environment of the PRC and rising prices of upstream chemical raw materials (such as ethanoic acid as well as synthetic ammonia), the average price of food-grade glycine products exported from the PRC soared to RMB30,082.4 per ton. As advised by our PRC Legal Advisers, the aforementioned environmental policies and restrictions apply to both upstream chemical raw materials suppliers and the Company. During the Track Record Period, we complied with various environmental protection policies and have not been subject to administrative penalties from the competent authorities for environmental protection-related matters. Relevant Chinese environmental protection policies have not had an adverse impact on the normal operations of our Company. With the restoration of production capacity and a decline in demand due to stockpiling by downstream manufacturers owing to concerns about further price increases, the average price of food-grade glycine exported from the PRC gradually declined, and its average price reached RMB14,842.9 per ton in 2024.

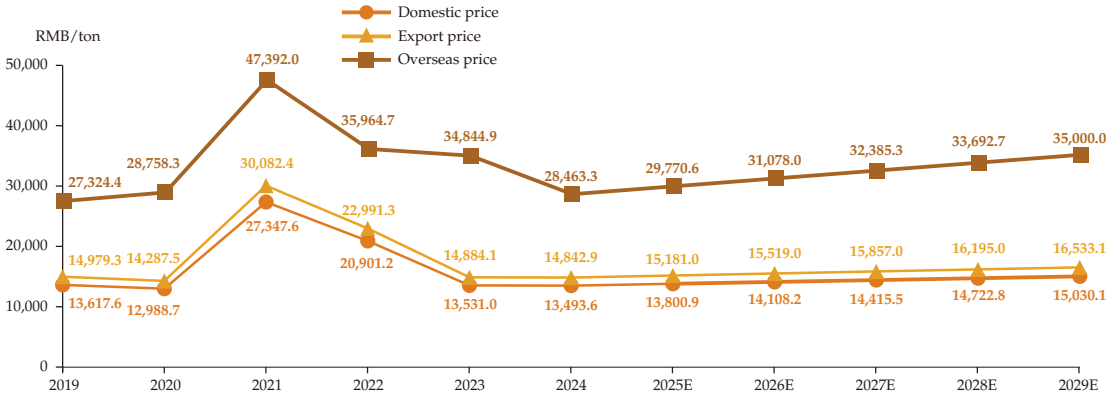
The anti-dumping order implemented by the U.S. International Trade Commission on imports of glycine from China caused the price differences between overseas price and domestic/export price. The anti-dumping duty rate for glycine subject to the China-wide rate for this order is the General Glycine Tariff and the Additional Glycine Tariff.

With Executive Order of 3 March 2025 issued by President Donald Trump, effective on 4 March 2025, most U.S. imports from China are now subject to the US 2025 IEEPA Tariff, in addition to any other applicable import duties with certain exemptions. On 2 April 2025, 8 April 2025, 9 April 2025 and 12 May 2025, the US government introduced the US Reciprocal Tariff on goods from various countries including the PRC and Indonesia, where goods exported to the US from (i) the PRC would be subject to an additional 34% tariff (paused for 90 days and subject to a 10% tariff instead from 14 May 2025); and (ii) Indonesia would be subject to an additional 32% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025), with a few exceptions. The additional duties may raise export costs or price of products exported from China or Indonesia. It is indeterminate whether further discussions between these countries and the US will materialise, as well as potential adjustments to tariff policies or impact on entities with global operations and supply chains.

Since the global food-grade glycine market is fragmented, the price of food-grade glycine produced and sold overseas has also been volatile over the past five years. It rose from RMB27,324.4 per ton in 2019 to the peak of RMB47,392.0 per ton in 2021 before dropping gradually to RMB28,463.3 per ton in 2024.

In the first quarter of 2024, albeit the price of food-grade glycine exported from the PRC continued to slide, the decline has slowed. In the next five years, the demand for food-grade glycine from downstream manufacturers is expected to increase, in line with the rising demand from end-consumers for condiments, pet food, and other products. The price of food-grade glycine fluctuated in 2024 and it is expected to stabilise in 2025.

Average price of food-grade glycine: by sales method (2019-2029E)



Source: The General Administration of Customs of the PRC, CIC Report

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS/KEY SUCCESS FACTORS

Competitive landscape of sucralose industry

Global and the PRC's sucralose markets are highly concentrated, with the market share of the top five manufacturers in the global and the PRC's industries reaching 83.3% and 87.0%, respectively, in terms of sucralose sales volume in 2023. According to the CIC Report, in terms of sales volume of sucralose, the Company ranked fifth among global sucralose manufacturers and fourth among China's sucralose manufacturers in 2023, with market share of 4.8% and 5.7%, respectively. In terms of sales revenue of sucralose, the Company ranked fifth among global sucralose manufacturers and fourth among the PRC's sucralose manufacturers in 2023, with market share of 4.5% and 7.5%, respectively. As of 31 December 2023, the Company is the only domestic company among the top five sucralose producers in the PRC that has established overseas production plant for sucralose production, and is also the only company among the top five global sucralose manufacturers that has established a production plant for the sucralose production outside the PRC and the United States.

Global sucralose market ranking and market share by sales volume in 2023

Company/Group name	Sales volume of sucralose, thousand tons, 2023	Market share in terms of sales volume, %, 2023	Sales revenue of sucralose, RMB in millions, 2023
Company A[(1)]	5.6	27.8%	993.4
Company B[(2)]	4.7	23.4%	856.9
Company C[(3)]	2.8	14.0%	514.1
Company D[(4)]	2.7	13.3%	1,657.1
The Company	**1.0**	**4.8%**	**228.3**
Top five subtotal	**16.7**	**83.3%**	**4,249.9**
Total market size	**20.0**	**100%**	**5,031.8**

Source: CIC Report

Notes:

(1) Established in 2006 in Anhui Province, China, Company A is a listed company focusing on fine chemical industry and basic chemical industry that sells sweeteners, spices, bulk chemicals and other products both domestically and globally, with a focus on Chinese market, with sales revenue of sucralose reached RMB993.4 million in 2023. In 2023, Company A had over 3,000 employees and total revenue of RMB5.3 billion.

(2) Established in 2012 in Shandong Province, China, Company B is a non-listed food-additive company that sells sucralose both domestically and globally, with a focus on overseas market, with sales revenue of sucralose reached RMB856.9 million in 2023. Company B had approximately 1,000 employees in 2023.

(3) Established in 2003 in Fujian Province, China, Company C is a non-listed food-additive company that sells sweeteners, dietary supplements, amino acid surfactants both domestically and globally, with a focus on Chinese and US' markets, with sales revenue of sucralose reached RMB514.1 million in 2023. Company D had approximately 500 employees in 2023.

(4) Established in 1921 in London, United Kingdom, Company D is a listed multinational food and beverage solutions company that sells food & beverage, sucralose and sweeteners and industrial starches both domestically and globally, with a focus on Asian and European markets, with sales revenue of sucralose reached RMB1,657.1 million in 2023. In the fiscal year ended 31 March 2024, Company D had achieved RMB15.1 billion revenue with over 3,000 employees.

Sucralose market rankings and market share in the PRC by sales volume in 2023 (referring to sucralose produced in the PRC and sold domestically and overseas)

Company/Group name	Sales volume of sucralose, thousand tons, 2023	Market share in terms of sales volume, %, 2023	Sales revenue of sucralose, RMB in millions, 2023
Company A	5.6	33.1%	993.4
Company B	4.7	27.8%	856.9
Company C	2.8	16.7%	514.1
The Company	1.0	5.7%	228.3
Company E[1]	0.6	3.7%	112.5
Top five subtotal	**14.6**	**87.0%**	**2,705.2**
Total market size	**16.8**	**100%**	**3,051.2**

Source: CIC Report

Note:

(1) Established in 2012 in Shandong Province, China, Company E is a non-listed food-additive company that mainly sells sucralose both domestically and globally, with a focus on European and American markets, with sales revenue of sucralose in the PRC reached RMB112.5 million in 2023. Company E had over 200 employees in 2023.

Competitive landscape of glycine industry

According to the CIC Report, in terms of sales volume and sales revenue of food-grade glycine, the Company both ranked first among global food-grade glycine manufacturers in 2023, with a market share of 5.1% and 3.1%, respectively. Food-grade glycine market in the PRC is relatively competitive, with market share of the top five manufacturers in the industry reaching 57.6% in terms of sales volume of food-grade glycine in 2023. In terms of sales volume and sales revenue of food-grade glycine, the Company both ranked first among food-grade glycine manufacturers in the PRC in 2023, with a market share of 14.6% and 15.3%, respectively. As of 31 December 2024, among top five PRC food grade glycine manufacturers, the Company is the only PRC food-grade glycine manufacturer with offshore production. Considering the anti-dumping measures taken by the U.S. International Trade Commission against glycine exports from the PRC and other similar international trade measures, glycine manufacturers with overseas production plants are able to make use of local resources, effectively mitigating the risks from import and export trade policies while increasing market share and influence.

Global food-grade glycine market ranking and market share by sales volume in 2023

Company/Group name	Sales volume of food-grade glycine, thousand tons, 2023	Market share in terms of sales volume, %, 2023	Sales revenue of food-grade glycine, RMB in millions, 2023
The Company	10.5	5.1%	179.4
Company F[1]	9.0	4.4%	135.9
Company G[2]	8.0	3.9%	120.8
Company H[3]	7.0	3.4%	105.7
Company I[4]	4.0	1.9%	60.4
Top five subtotal	**38.5**	**18.7%**	**602.1**
Total market size	**206.3**	**100%**	**5,880.3**

Source: CIC Report

Notes:

(1) Established in 2000 in Hebei Province, China, Company F is a non-listed company focusing on amino acid and amino acid derivatives with sales reached domestic and global markets, with a focus on overseas market, while global sales revenue of food-grade glycine reached RMB135.9 million in 2023. Company F had approximately 400 employees in 2023.

(2) Established in 2005 in Hebei Province, China, Company G is a non-listed company focusing on amino acid with sales reached domestic and global markets, with a focus on overseas market, while global sales revenue of food-grade glycine reached RMB120.8 million in 2023. Company G had approximately 400 employees in 2023.

(3) Established in 2000 in Hebei Province, China, Company H is a non-listed company focusing on glycine with sales reached domestic and global markets, with a focus on the European and American markets, while global sales revenue of food-grade glycine reached RMB105.7 million in 2023.

(4) Established in 2011 in Hebei Province, China, Company I is a non-listed company focusing on amino acid and amino acid derivatives with sales reached domestic and global markets, with a focus on the overseas market, while global sales revenue of food-grade glycine reached RMB60.4 million in 2023.

Rankings and market share of food-grade glycine market in the PRC by sales volume in 2023 (referring to food-grade glycine produced in China and sold domestically and overseas)

Company/Group name	Sales volume of food-grade glycine, thousand tons, 2023	Market share in terms of sales volume, %, 2023	Sales revenue of food-grade glycine, RMB in millions, 2023
The Company	9.5	14.6%	146.6
Company F	9.0	13.8%	135.9
Company G	8.0	12.3%	120.8
Company H	7.0	10.7%	105.7
Company I	4.0	6.1%	60.4
Top five subtotal	**37.5**	**57.6%**	**569.2**
Total market size	**65.1**	**100%**	**960.8**

Source: CIC Report

Entry barriers and key success factors

- ***Mature technological pool:*** The production of food additives involves complicated chemical processes and advanced production technologies, and even small variations can lead to significant differences in product quality. Food additives manufacturers must have extensive production experience, mature production technologies and skilled personnel to ensure consistent product quality. This requires significant investment, expertise and years of experience. New market entrants may not have the relevant technical capabilities and production experience.

- ***Sufficient production capacity:*** Capacity is becoming a crucial factor that customers must consider when choosing a food additives manufacturer. Leading food additives manufacturers in the industry have sufficient plants, production lines and facilities to support production for the continuous and stable supply to their customers, which is particularly important for large downstream manufacturers with global operations. The expansion or establishment of production capacity will take 1-2 years. New market entrants may not have sufficient capital and resources to establish product capacity in a short period of time.

- ***Stable customer relationships:*** Customers of food additives manufacturers, such as food and beverage manufacturers, place quality and supply stability of raw materials at first consideration and are reluctant to change suppliers in a short term. These customers, especially reputable multinational corporations, have high standards and stringent criteria in selecting their suppliers. Their suppliers are expected to provide stable and high-quality products with timely and reliable delivery. These customers are unlikely to switch their suppliers, considering the high switching cost and the immense hurdles in establishing long-lasting and credible relationship. They also exercise caution in selecting suppliers to avoid the incurrence of high replacement costs. Large downstream companies usually adopt order model involving a tendering process and an annual execution of long-term agreement. Leading food additives manufacturers in the industry have established stable relationships with these large customers and are able to secure long-term production arrangements. New market entrants may not be able to establish such stable relationships with customers in a short period of time.

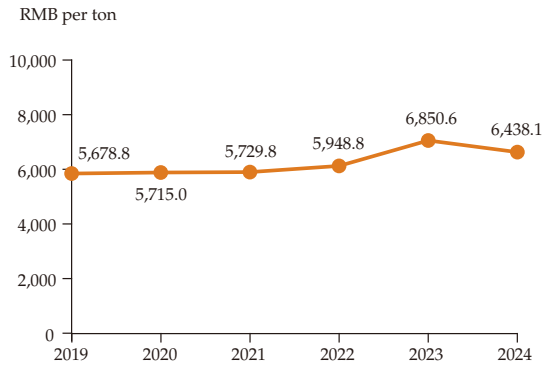
- ***Supply chain management capabilities:*** Leading food additives manufacturers are usually deeply involved in supply chain management, including securing the supply of high-quality raw materials, maintaining bargaining power over raw material prices, and monitoring warehousing and transport processes. Establishing a supply chain management system requires extensive resources and experience from previous business operation. New market entrants or small businesses may lack such resources.

- ***Abundant capital:*** Investments in production equipment, development of sales channels, R&D and innovation, and labour costs all require significant capital investment. New entrants with limited capital resources are at a disadvantage when competing with manufacturers that have accumulated capital.

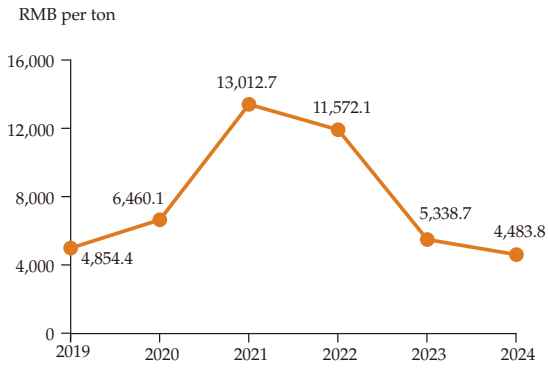
PRICE CHANGES IN RAW MATERIALS

Major raw materials for sucralose are sucrose (white sugar) and DMF. The price fluctuation of white sugar in the past was relatively small. In the future, the price of white sugar will be mainly affected by climatic factors and regulation adjustments. Historically, the price of DMF has increased due to the exit of a leading manufacturer from the market in 2020, which reduced the overall market supply; the price of DMF gradually declined subsequently as other DMF manufacturers expanded their production capacity. Going forward, the price of DMF may be affected by changes in supply and demand and the prices of its raw materials, including formic acid and dimethylamine.

Average price of white sugar, 2019-2024, China



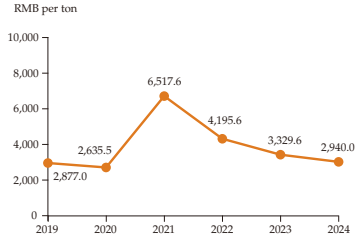
Average price of DMF, 2019-2024, China



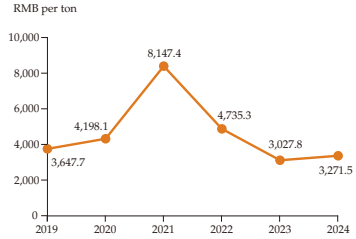
Source: CIC Report

Major raw materials of glycine are ethanoic acid, MCA (Monochloroacetic acid) and liquid ammonia (synthetic ammonia). Historical data shows that the market price of ethanoic acid has experienced fluctuations, mainly due to short-term fluctuation in market supply owing to a large-scale suspension of production by ethanoic acid manufacturers in 2021 due to equipment maintenance or climate. In the future, the price of ethanoic acid may be affected by changes in supply and demand and the price of raw materials such as methanol. The price trend of MCA in the past was in line with the price trend of its upstream raw material, ethanoic acid. In the future, the price of chloroethanoic acid will be mainly affected by changes in the price of ethanoic acid, its raw material, and changes in demand from downstream manufacturers, such as glycine manufacturers. The price of synthetic ammonia is highly correlated with the price of its main downstream product, urea. In the future, synthetic ammonia prices will continue to be influenced by demand from urea producers.

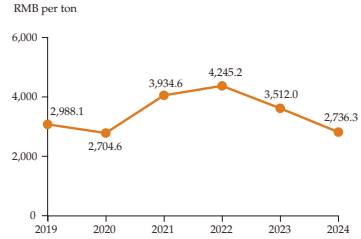
Average price of ethanoic acid, 2019-2024, China



Average price of MCA, 2019-2024, China



Average price of synthetic ammonia, 2019-2024, China



Source: CIC Report

OVERVIEW OF OTHER PRODUCTS

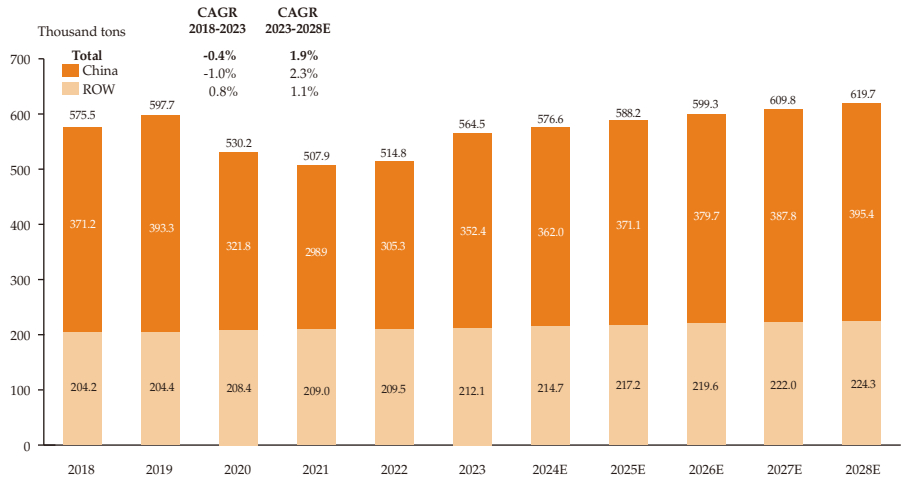
Industrial-grade glycine

In 2023, approximately 65% of glycine sold globally was industrial-grade glycine, which was primary used to further produce glyphosate.

Due to the environmental protection policies, major industrial-grade glycine manufacturers in China reduced their production during 2020 and 2021. The overall sales volume of industrial-grade glycine in China recorded a drop in 2020 and 2021.

The overall sales volume of industrial-grade glycine in China witnessed a recovery in the 2022 and 2023, and is expected to maintain a stable growth along with the steady demand from downstream herbicide manufacturers.

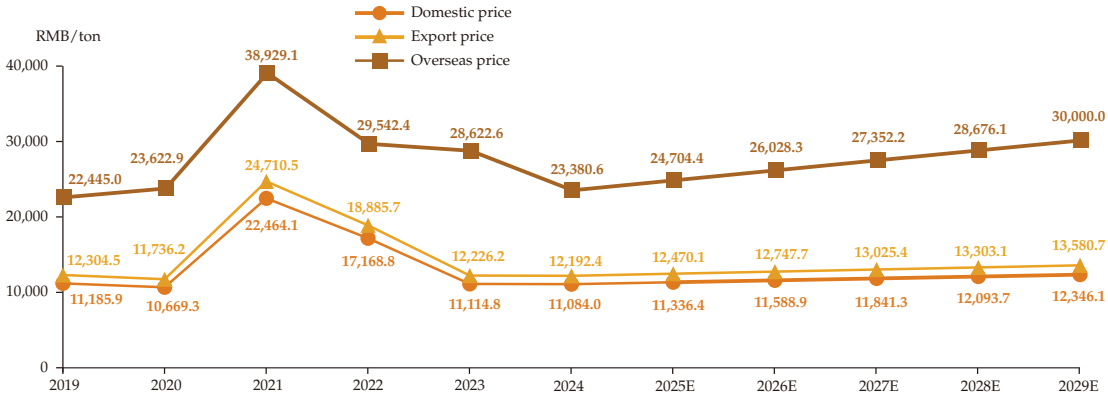
Size of global industrial-grade glycine market: sales volume, production in the PRC and overseas (2018-2028E)



Source: The General Administration of Customs of the PRC, CIC Report

Similar to food-grade glycine, the price of industrial-grade glycine also experienced fluctuations in the past few years. The surge in industrial-grade glycine prices in 2021 was driven by soaring raw material costs, and production constraints from tightened environmental policies. The average export price of industrial-grade glycine in China dropped from the peak of RMB24,710.5 per ton in 2021 to RMB12,192.4 per ton in 2024. With the anticipated growth in downstream market demand, the export price of industrial-grade glycine in China is expected to stabilise, and start to rise from 2025.

Average price of industrial-grade glycine: by sales method (2019- 2029E)



Source: The General Administration of Customs of the PRC,CIC report

Curcumin

Curcumin is the biologically active compound in turmeric, which is a bright yellow spice that is derived from the underground stems, or rhizomes, of the curcuma longa plant.

Curcumin has a variety of downstream usage, including (i) used in food colouring as a yellow polyphenolic pigment; (ii) as a dietary supplement that benefits arthritis, digestive disorders, depression, allergies, etc.; (iii) used in medications that aimed at anti-inflammatory, antioxidant, chemo preventive and chemotherapeutic activity purposes; (iv) adopted by skin repair cosmetics as a natural ingredient, particularly for conditions like acne, blemishes, dark spots, and hyperpigmentation; (v) used as feed additive contributing to poultry and livestock animal growth and disease resistance; (vi) used as a natural dye in textile industries.

The global sales volume of curcumin increased from 3.2 thousand tons in 2018 to 4.6 thousand tons in 2023 with a CAGR of 7.7%. Considering the increasing demand in curcumin adopted in dietary supplements, medications and cosmetics, the global curcumin market is expected to further reach 8.5 thousand tons by 2028, representing a CAGR of 13.0% from 2023 to 2028.

Isomalt

Isomalt is a sugar alcohol sweetener which is enzymatically converted from sucrose. Isomalt, with the chemical formula $C_{12}H_{24}O_{11}$, is a low-intensity sweetener with 0.6 times the sweetness of sucrose.

Isomalt has a variety of benefits, including (i) low calorie: isomalt's calorie is approximately half of sucrose; (ii) low glycemic index: absorption and digestion of isomalt in the human body are slower, so it has less impact on blood glucose level, making it suitable for diabetic patients; (iii) isomalt can effectively prevent pH changes on the surface of the teeth, which can help prevent cavities; and (iv) isomalt can alleviate constipation by acting as a nutrient for the beneficial gut flora.

Currently, isomalt is mainly obtained by biosynthesis method, i.e. sucrose is enzymatically converted to isomaltose, which is then hydrogenated to form isomalt, and finally undergoes purification process to obtain a high-purity isomalt product. The global isomalt sales volume increased from 152.4 thousand tons in 2018 to 187.7 thousand tons in 2023, with a CAGR of 4.3%, and is further expected to reach 227.0 thousand tons by 2028, with a CAGR of 3.9% from 2023 to 2028.

Seaweed dietary fibre

According to World Health Organization, the dietary fibre is classified as the seventh nutrients that support human health, together with protein, fat, carbohydrates, vitamins, minerals and water. As consumer demand for clean labels and precise information on daily values (DV%) influences food labeling, dietary fibre, as a minor ingredient, has gained preference these years. The global dietary fibre sales volume increased from 1,430.9 thousand tons in 2018 to 1,909.1 thousand tons in 2023, with a CAGR of 5.9%, and is further expected to reach 2,699.8 thousand tons by 2028, with a CAGR of 7.2% from 2023 to 2028.

Seaweed dietary fibre is a group of edible carbohydrate polymers derived from seaweed, which is resistant to the digestive enzymes and is non-absorbable in the small intestine, thus can directly interact with gut microbes and lead to the productions of beneficial metabolites. The seaweed dietary fibre has been reported to prevent blood sugar surges and control appetite by slowing digestion, prolonging gastric emptying, and enhancing satiety as well as enhance taste by working as a thickener. As a multifunctional minor food ingredient of dairy products, bakery products and functional foods, seaweed dietary fibre is expected to achieve high market growth in the future.

Serine

Serine is a non-essential amino acid that is important for producing proteins and other metabolic functions in human bodies, which are commonly used in the medical, nutritious food and cosmetics industries.

At present, most amino acids, such as glutamate, lysine and threonine, could be produced through biosynthesis method at industrial-scale production. However, the industrial-scale production technology of serine through biosynthesis method is not yet fully mature. Although the biosynthesis method has been extensively researched and has been used in laboratories and small-scale industrial production. It is difficult to maintain the stability and conversion rate in large-scale industrial production. It is expected that with the further development of biosynthetic technology, the production process of using glycine as raw material to produce serine will become more mature, further promoting the development of the global glycine industry.

Other sugar substitute products

Sugar substitute products could provide sweetness without or with minimal sugar content. These products are widely used in multiple industries, including food and beverage industry, to meet consumers' demand for low-sugar or sugar-free products. The variety of sugar substitute products is extensive and includes, but is not limited to, the following types:

- **Sweetener syrup**: This is a liquid sweetener typically made by mixing water with sweeteners, offering a texture and taste similar to regular syrup but with lower sugar content.

- **Co-crystallisation sweetener products**: Co-crystallisation sweetener products often include a sweetener and a filler (such as lactose, maltose, etc.), through the co-crystallisation process to form a product with excellent physical and sensory properties. Co-crystallisation sweetener product is usually able to provide a more uniform sweetness and better processing properties. Co-crystallisation technology can combine the advantages of various sweeteners to create a low-calorie and delicious sweet solution.

- **Compound sweeteners**: This involves a mixture of multiple sweeteners in specific proportions to provide a balanced sweet experience. The compound sweetener could achieve a taste closer to sucrose, provide a more balanced sweetness, and often improve stability and shelf-life. Common combinations of compound sweeteners include sucralose plus erythritol, acesulfame K plus aspartame, stevia plus mogroside V plus erythritol, etc..

PRC LAWS AND REGULATIONS

Laws and regulations relating to food additives

Food Safety Law of the PRC

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) promulgated on 28 February 2009 and amended on 24 April 2015, 29 December 2018 and 29 April 2021 respectively, the PRC shall implement a licensing system for manufacturing of food additives. Manufacturers of food additives shall be equipped with premises and manufacturing equipment or facilities, employ professional technical personnel and establish management systems that correspond to the types of food additives they manufacture, and obtain a manufacturing permit for food additives. Food manufacturers and business operators shall use food additives pursuant to food safety standards of the PRC.

Food additives shall include labels, instructions and packaging. The labels and instructions of foodstuffs and food additives shall not contain false contents, or claim to have disease prevention and treatment functions.

Laws and regulations relating to production safety

Work Safety Law of the PRC

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021 respectively, special equipment for offshore oil mining and in the mine well that threatens the safety of people's lives and is potentially more dangerous, as well as containers and transport vehicles for dangerous articles, to be used by any enterprise, shall be made by professional manufacturers in accordance with relevant PRC regulations, and may only be put into use after they have passed the inspections and tests of those inspections and testing institutions that are equipped with professional qualifications and obtained a certificate for safe use or a mark of safety label. In addition, the production, business operation, transportation, storage, use of dangerous substances or disposal of or abandonment of dangerous substances shall be subject to the examination and approval as well as the supervision and management of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

Where the production safety management department of an enterprise discovers any serious potential accident during inspection, it shall promptly report such potential accident to the person in charge of the enterprise. If the person in charge cannot handle such potential accident in a timely manner, the production safety officer shall report it to the competent authority for timely treatment in accordance with the law. Any violation of the Work Safety Law of the PRC and other relevant regulations may result in administrative penalties and civil or criminal liabilities.

Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Fund

According to the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Fund (《企業安全生產費用提取和使用管理辦法》) promulgated on 14 February 2012 and amended on 21 November 2022, if an enterprise engages in the direct production, accumulation and storage activities (excluding sale and use) of goods listed in the national standards the Catalogue of Dangerous Goods (《危險貨物品名表》) (GB12268) and the Catalogue of Hazardous Chemicals (《危險化學品目錄》), and the dangerous goods listed in relevant national regulations, it shall collect the work safety fund month by month with excessive and accumulative withdrawal method as per the operating revenue in last year. If an enterprise fails to collect and use the work safety fund in accordance with the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Fund, the emergency management department, mine safety supervision agency and other departments and financial departments at or above the county level which are responsible for the supervision and management of work safety, have the right to order corrections within a time limit, handle relevant issues and impose fines based on their functions and powers and in accordance with the Work Safety Law of the PRC, the Accounting Law of the PRC and other relevant laws and regulations. In case of a serious or evil violation, joint punishments may be imposed in accordance with relevant regulations.

Laws and regulations relating to hazardous chemicals and precursor chemicals

Regulations on the Safety Management of Hazardous Chemicals

According to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated on 26 January 2002 and amended on 16 February 2011 and 7 December 2013, no entity or individual may engage in the production, storage, use, operation, transportation and other business activities of hazardous chemicals without approval. An enterprise that stores hazardous chemicals shall set up prominent signs on its hazardous chemical transportation pipeline, conduct regular inspections and tests on the pipeline, and set up prominent safety warning signs on its workplaces, safety facilities and equipment. In addition, the enterprise shall also establish and regularly repair and maintain its safety facilities and equipment based on the types and hazards of hazardous chemicals and in accordance with relevant national and industry standards. An entity that stores highly toxic chemicals or hazardous chemicals constituting a serious hazard source in quantity shall report the storage quantity, location and management personnel to the work safety supervision and administration department and the public security agency of the county-level local people's government.

In the meantime, any enterprise that engages in the production of hazardous chemical falling into the Catalogue of Hazardous Chemicals shall obtain a work safety permit for hazardous chemicals in accordance with the Regulation on Work Safety Permits (《安全生產許可證條例》) before starting production. For any violation of the Regulations on the Safety Management of Hazardous Chemicals, the relevant supervision and administration department may impose a fine, confiscate illegal gains, order to make corrections within a time limit or impose other administrative penalties. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Interim Provisions on the Supervision and Management of Major Hazard Sources of Hazardous Chemicals

According to the Interim Provisions on the Supervision and Management of Major Hazard Sources of Hazardous Chemicals (《危險化學品重大危險源監督管理暫行規定》) promulgated on 5 August 2011 and amended on 27 May 2015, an entity which engages in the production, storage, use and operation of hazardous chemicals shall conduct the identification, safety assessment, grade evaluation and registration of major hazards to the devices, facilities or places for the production, operation, storage and use of hazardous chemicals in accordance with the Identification of Major Hazard Sources of Hazardous Chemicals (《危險化學品重大危險源辨識》) (GB18218), and submit such registration to the work safety supervision and administration department. In the meantime, the entity shall establish and improve the safety management regulations and safe operation rules for major hazard sources, take effective measures to ensure their implementation, establish and improve the safety monitoring and control system, and formulate emergency response plans for the accident from major hazardous sources.

If an entity fails to perform relevant responsibilities and obligations in accordance with the Interim Provisions on the Supervision and Management of Major Hazard Sources of Hazardous Chemicals, the work safety supervision and administration department may order it to make corrections within a specified time limit, impose a fine, order the suspension of production and business operation for rectification, or impose other administrative penalties. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the relevant provisions of the Criminal Law of the PRC.

Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects

According to the Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects (《危險化學品建設項目安全監督管理辦法》) promulgated on 30 January 2012 and amended on 27 May 2015, projects for new construction, reconstruction and expansion projects of production and storage of dangerous chemicals and the chemical construction projects with the production of dangerous chemicals (including the construction projects of long-distance pipelines of dangerous chemicals) within the territory of the PRC are subject to the safety review by a qualified safety assessment agency at the feasibility study stage, and shall be submitted to the competent safety approval authority for the safety condition review and safety facility design review of the construction project.

During the trial production of the construction project, the construction entity shall entrust a qualified safety assessment agency to conduct safety acceptance assessment of the construction project and its trial production (use) in accordance with the Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects. The entrusted safety assessment agency shall not be the one entrusted at the feasibility study stage.

Before the construction project is put into production and use, the construction entity shall organise personnel to conduct completion acceptance of safety facilities and decide whether the construction project has passed the completion acceptance of safety facilities.

Where new construction, reconstruction and expansion projects of production and storage of dangerous chemicals violate the Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects, the relevant supervision and administration department has the right to order it to suspend construction and make corrections within the specified time limit. Failure to make corrections within the specified time limit may lead to a fine. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Laws and regulations relating to environmental protection

Environmental Protection Law of the PRC

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and amended on 24 April 2014, enterprises and other producers that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by the waste gas, waste water, waste residue, medical waste, dust, malodorous gases, radioactive substances, noise, vibrations, optical radiation, electromagnetic radiation and other substances generated during the course of production, construction or other activities. Enterprises and other producers that discharge pollutants shall pay pollution discharge fees in accordance with relevant regulations. If the environmental protection tax is levied in accordance with relevant regulations, the pollution discharge fees shall no longer be levied. In the meantime, if an enterprise carries out a construction project that has an impact on the environment, the environmental impact assessment shall be conducted in accordance with the law. The construction project shall not start construction without the environmental impact assessment. Facilities for the prevention and control of pollution in a construction project shall be designed, constructed and put into operation simultaneously with the main work. Enterprises and other producers that are applicable to the administration of pollutant discharge permit can only discharge pollutants in accordance with the requirements of the pollutant discharge permit, and shall not discharge pollutants without a pollutant discharge permit.

If an enterprise causes any damage due to environmental pollution or ecological damage, it shall bear tort liability in accordance with the relevant provisions of the Civil Code of the PRC. For any violation of the Environmental Protection Law of the PRC, the environmental protection authority may seize and detain facilities and equipment that cause pollutant emissions, restrict production, suspend production for rectification, order to suspend construction and impose a fine, and order to suspend business or close down in case of a serious violation. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Law of the PRC on Environmental Impact Assessment

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and amended on 2 July 2016 and 29 December 2018 respectively, if an enterprise carries out a construction project that has an impact on the environment within the territory of the PRC and other sea areas under its jurisdiction, the environmental impact assessment shall be conducted. The PRC

implements classification management of the environmental impact assessment of construction projects according to the degree of impact of the construction projects on the environment. For those that may cause significant environmental impact, an environmental impact report shall be prepared to conduct a comprehensive evaluation on the resulting environmental impact; for those that may cause mild environmental impact, an environmental impact report form shall be prepared to conduct an analysis or special evaluation on the resulting environmental impact; and for those that may cause minimal environmental impact and no environmental impact assessment is required, an environmental impact registration form shall be completed. In particular, the construction entity shall submit the environmental impact report, environmental impact report form or environmental impact registration form for the construction project to competent ecology and environment authority with the approval authority for approval in accordance with the provisions of the State Council. The PRC implements a record-filing-based management on environmental impact registration form. The construction project which has not been examined by the approval authority or has not been approved after examination shall not commence construction. In the event that there are significant changes to the nature, scale, location, production process used or measures adopted in the construction project to prevent and control the pollution or ecological damage after an approval for the environmental impact assessment documents of a construction project is obtained, the construction entity shall resubmit the environmental impact assessment documents of the construction project for approval.

Where a construction entity unlawfully commences the construction of a project without submitting for approval its environmental impact report or report form in accordance with the law, or without reporting for approval or requesting the re-examination of the environmental impact report or report form in accordance with Article 24 of the Law of the PRC on Environmental Impact Assessment, the competent ecology and environment authority at or above the county level shall order it to cease construction, and according to the circumstances of violation of law and damage, impose a fine of not less than 1% but not more than 5% of the total investment of the construction project on it, and order it to restore to the original state; and in accordance with the law, impose administrative sanctions against the directly responsible person in charge and other directly liable persons of the construction entity.

Where a construction entity unlawfully commences the construction of a project without the approval for its environmental impact report or report form, or without the re-examination and approval from the original approval authority, it shall be punished and imposed with sanctions in accordance with the first paragraph of Article 31 of the Law of the PRC on Environmental Impact Assessment.

Where a construction entity fails to submit the environmental impact registration form of a construction project for filing registration in accordance with the law, the competent ecology and environment authority at or above the county level shall order it to file a registration form and impose a fine of not more than RMB50,000.

Regulations on the management of pollutant discharge permit

Regulation on the Administration of Permitting of Pollutant Discharges and Measures for Pollutant Discharge Permitting Administration (for Trial Implementation)

According to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated on 24 January 2021, and the Measures for Pollutant Discharge Permitting Administration (排污許可管理辦法》) promulgated on 25 December 2023, the PRC implements the classified pollutant discharge permit management (i.e. key management and simplified management) on pollutant discharges of enterprises based on factors such as the volume of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. Enterprises and other producers that are included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

In the meantime, the pollutant discharging entity shall also perform the following obligations: (i) carry out self-monitoring in accordance with the provisions of the pollutant discharge permit and relevant standards, and maintain original monitoring records for no less than five years; (ii) establish an ledger recording system for environment management, and truthfully record the operation status of key production facilities and pollution prevention and control facilities, and the concentration and emission volume of pollutants in accordance with the form, content and frequency specified in the pollutant discharge permit; and (iii) submit the execution report on pollutant discharge permit to the approval authority, and truthfully report pollutant discharge behaviour, discharge concentration and discharge volume in accordance with the content, frequency and time specified in the pollutant discharge permit.

For any violation of the Regulation on the Administration of Permitting of Pollutant Discharges and the Measures for Pollutant Discharge Permitting Administration, in accordance with the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC and other laws and regulations, the environmental protection authorities have the right to order to make corrections, restrict production, suspend production for rectification, and suspend business and close down, and impose a fine. If a violation of the public security provisions is constituted, it shall be punished for public security violation in accordance with the law. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Regulations on the Administration of Construction Project Environmental Protection

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated on 29 November 1998 and amended on 16 July 2017, the PRC implements the classified management on construction projects that have an impact on the environment within the territory of the PRC and other sea areas under its jurisdiction. The construction entity shall, based on the extent of environment impact of construction projects, perform its obligations to prepare

an environmental impact report or an environmental impact report form, or complete the environmental impact registration form. If there are any significant changes to the environmental impact report or the environmental impact report form after approval, the construction entity shall resubmit it for approval. The supporting environmental protection facilities for a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project. Upon completion of the project which requires the preparation of an environmental impact report or an environmental impact report form, the construction entity shall conduct an acceptance of supporting environmental protection facilities which can only be put into production or use after passing the acceptance.

For any violation of the Regulations on the Administration of Construction Project Environmental Protection, the environmental protection authority at or above the county level where the project is located has the right to order corrections within a time limit and impose a fine, and order the suspension of production or use or closure in case of any major environmental pollution or ecological damage.

Laws and regulations relating to foreign trade

The Foreign Trade Law of the PRC

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) which was promulgated by SCNPC and became effective on 12 May 1994, and amended on 30 December 2022, no registration of foreign trade operators is required since 30 December 2022. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations.

The Customs Law of the PRC

According to the Customs Law of the PRC (中華人民共和國海關法) which was promulgated by SCNPC and became effective on 1 July 1987, and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016, 4 November 2017, and 29 April 2021, respectively, where a consignee or consignor of import or export goods or a customs declaration enterprise goes through customs declaration procedures, it shall file for record with the customs in accordance with law.

The Regulations of PRC Customs on Administration of Recordation of Declaration Entities

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (中華人民共和國海關報關單位備案管理規定) adopted by the General Administration of Customs on 19 November 2021 and effective from 1 January 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises which make a filing with the customs in accordance with such regulations. If the consignees and consignors of import and export goods and customs declaration enterprises apply for filing, they shall obtain the qualification of market entities.

Regulations on intellectual property rights

Patent Law of the PRC and its Implementing Rules

According to the Patent Law of the PRC (中華人民共和國專利法), promulgated by the SCNPC on 12 March 1984 and further amended on 4 September 1992, 25 August 2000, 27 December 2008, 17 October 2020 and came into effect on 1 June 2021 and the Implementing Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the China Patent Bureau Council on 19 January 1985, and further amended on 12 December 1992, 15 June 2001, 28 December 2002, 9 January 2010, 11 December 2023 and came into effect on 20 January 2024, the term "invention-creations" refers to inventions, utility models and designs. The validity period of a patent right for inventions, a patent right for utility models and a patent right for designs shall be 20 years, 10 years and 15 years respectively, commencing from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorisation of the patentee, that is to say an infringement upon the patent right, the dispute shall be resolved through negotiation between the parties.

Trademark Law of the PRC and its Implementing Rules

According to the Trademark Law of the PRC (中華人民共和國商標法) promulgated by SCNPC on 23 August 1982, most recently amended on 23 April 2019 and effective from 1 November 2019, and the Implementation Regulation of the Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council on 3 August 2002, later amended on 29 April 2014 and effective from 1 May 2014, registered trademarks are granted a term of 10 years which may be renewed for consecutive 10-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed with a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Administrative Measures for Internet Domain Names

The Administrative Measures for Internet Domain Names (互聯網域名管理辦法), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" that shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any violation.

Regulations on taxation

Enterprise income tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) promulgated by the National People's Congress on 16 March 2007, and most recently amended on 29 December 2018 and effective on the same date and the Enterprise Income Tax Implementation Regulations (中華人民共和國企業所得税法實施條例) promulgated by the State Council on 6 December 2007, and most recently amended on 23 April 2019 and effective on the same date, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with the law, or which are set up in accordance with the law of a foreign country (region) but are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or have no such institutions or establishments but have income generated inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need key support from the PRC government will enjoy a tax rate reduction to 15% for Enterprise Income Tax.

Value-added tax

The Provisional Regulations on Value-added Tax (增值税暫行條例), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (增值税暫行條例實施細則), which was promulgated by the MOF on 25 December 1993 and came into effect on the same date, and was amended on 15 December 2008 and 28 October 2011 and came into effect on 1 November 2011 set out that all entities and individuals selling goods or providing processing, repairing or replacement services, selling services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax (VAT).

According to the Notice of the MOF and the SAT on the Adjusting Value-added Tax Rates (財政部、税務總局關於調整增值税税率的通知) effective in May 2018, the VAT rates of 17% and 11% on sale or imported goods shall be adjusted to 16% and 10%, respectively.

According to the Notice of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (關於深化增值税改革有關政策的公告) issued on 20 March 2019 and became effective on 1 April 2019, the value added tax rate on sale or imported goods was reduced from 16% and 10% to 13% and 9%, respectively.

City maintenance and construction tax

According to the Urban Maintenance and Construction Tax Law of the PRC (中華人民共和國城市維護建設税法), which was approved by the SCNPC on 11 August 2020 and became effective on 1 September 2021, the entities and individuals that pay VAT or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax. The tax basis of urban maintenance and construction tax shall be the amount of value-added tax and consumption tax actually paid by taxpayers in accordance with the law. The tax rates are as follows: 7% for taxpayers the domiciles of which/whom are in urban areas; 5% for taxpayers the domiciles of which/whom are in county or township centres; 1% for taxpayers the domiciles of which/whom are in places other than urban areas, county and township centres.

Educational surcharges

According to the Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and subsequently amended on 7 June 1990, 20 August 2005 and 8 January 2011 respectively, educational surcharges shall be collected on the basis of the amount of value-added tax, sales tax and consumption tax actually paid by entities and individuals, collected at the rate of 3%, and paid simultaneously with value-added tax, sales tax and consumption tax.

Regulations on employment and social security

Employment

The Labour Law of PRC (中華人民共和國勞動法), which was promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009 and 29 December 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labour safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialised training and obtained the pertinent qualifications.

The Labour Contract Law of the PRC (中華人民共和國勞動合同法), which was promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and came into effect on 1 July 2013, and the Implementation Regulations on Labour Contract Law (中華人民共和國勞動合同法實施條例) which was promulgated and came into effect on 18 September 2008 by the State Council, regulate the relations of employer and the employee, and contain specific provisions involving the terms of the labour contract.

Social insurance

The PRC Social Insurance Law (中華人民共和國社會保險法), or the Social Insurance Law, issued by the SCNPC in 2010 and most recently amended on 29 December 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated by the State Council on 22 January 1999 and most recently amended on 24 March 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing provident fund

In accordance with the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) promulgated by the State Council on 3 April 1999, and amended on 24 March 2002, and 24 March 2019, enterprises must register at the designated administrative centres and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing provident fund administrative centre. Where employers fail to make payment within such period, enforcement by the people's court may be applied for.

In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund administrative centre shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

Regulations on foreign investment

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was adopted by the National People's Congress on 15 March 2019 and it took effect on 1 January 2020. The Foreign Investment Law sets out the definitions of foreign investments and the framework for promotion, protection and administration of foreign investment activities.

The Foreign Investment Law defines foreign investments as any investment activities directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organisations, and specifically stipulates four forms of investment activities as foreign investments, namely, (a) establishment of a foreign-invested enterprise in the PRC by a foreign investor, either individually or collectively with any other investor; (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a foreign investor; (c) investment in any new project in the PRC by a foreign investor, either individually or collectively with any other investor; and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

On 30 December 2019, MOFCOM and the State Administration for Market Regulation (the "**SAMR**") jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "**Foreign Investment Information Measures**"), which came into effect on 1 January 2020. Beginning on 1 January 2020, when foreign investors carry out investment activities directly or indirectly in China, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR. Specifically, foreign investors or foreign-invested enterprises shall report their establishments, modifications and deregistrations and file their annual reports in accordance with the Foreign Investment Information Measures. When a foreign-invested enterprise has completed filing of such reports, the relevant information will be passed by the competent market regulation department to the competent commercial department, so the reports do not need to be submitted separately.

On 26 October 2022, MOFCOM and NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (鼓勵外商投資產業目錄(2022年版)) (the "**Encouraging Catalog**") which became effective on 1 January 2023, to replace the previous encouraging catalog. The Special Administrative Measure (Negative List) for the Access of Foreign Investment (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**") was promulgated by the NDRC and the MOFCOM on 27 December 2021 and became effective on 1 January 2022. The Negative List enumerates ownership requirements, requirements for senior executives, and other special management measures in the aspect of the access of foreign investment for the industries that fall within the Negative List. Any field not on the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Regulations on overseas listing

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法) (the "**Trial Measures**") and five relevant guidelines which were promulgated by the CSRC on 17 February 2023 pursuant to the Securities Law of the PRC, and were applicable to the direct and indirect overseas share issuance and listing of domestic companies. According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within three working days after submitting the application documents for overseas issuance and listing.

The Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises

According to the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (關於境內企業境外發行上市備案管理安排的通知) promulgated by the CSRC on 17 February 2023, a domestic company that has already obtained the approval document from the CSRC for overseas public offering and listing may proceed with the overseas listing within the validity period of the approval document. Where the overseas listing has not been completed upon the expiration of the approval document, filing procedures specified in the Trial Measures shall be made as required.

Regulations on H share full circulation

The Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China and the Trial Measures

On 14 November 2019, the CSRC promulgated the Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China (H股公司境內未上市股份申請"全流通"業務指引) ([2019] No. 22), which was amended and came into effect on 10 August 2023. This provision is to regulate the listing and circulation (the "**Full Circulation**") of unlisted domestic shares of domestic joint-stock limited companies (the "**H-share Companies**") listed on the Stock Exchange (including unlisted domestic capital stock held by domestic shareholders before overseas listing, unlisted domestic capital stock issued in China after overseas listing and unlisted shares held by foreign shareholders) to the Stock Exchange. Unlisted domestic joint-stock limited companies may file with the CSRC for Full Circulation simultaneously when applying for overseas initial public offering and listing.

On 17 February 2023, the CSRC promulgated the Trial Measures, which came into effect on 31 March 2023. According to the Trial Measures, for a domestic company seeking direct overseas listing, the shareholders holding the domestic unlisted shares of such domestic company who apply for the conversion of the domestic unlisted shares into overseas listed shares shall comply with the relevant provisions of the CSRC and entrust such domestic company to file with the CSRC.

Laws and regulations relating to anti-monopoly

The Anti-monopoly Law of the PRC

The Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》), released on 30 August 2007 and recently amended on 24 June 2022 by SCNPC, is applicable to the monopoly activities both in the PRC and out of the PRC if they exclude or restrict the competitions in the domestic market. Under the Anti-monopoly Law, monopolistic practices include monopoly agreements between business operators, abuse of dominant market positions by business operators, and concentration of business operators that eliminate or restrict market competition or may eliminate or restrict market competition. The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions

of the Anti-Monopoly Law. The anti-monopoly law enforcement agencies of the State Council may, according to the needs of their work, authorise the corresponding agencies of the people's governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the anti-monopoly law enforcement agencies to stop the illegal act and be imposed a fine.

On 25 April 2024, the Anti-Monopoly and Anti-Unfair Competition Commission of the State Council issued the Anti-Monopoly Compliance Guidelines for Business Operators (《經營者反壟斷合規指南》), which stipulate that business operators may establish an anti-monopoly compliance management system based on their scale, industry characteristics, operation costs, etc., to manage anti-monopoly compliance risks.

On 10 March 2023, the SAMR promulgated the Provisions on Prohibition of Monopoly Agreements (《禁止壟斷協議規定》), the Provisions on Prohibiting Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為規定》), and the Provisions on the Examination of Concentrations of Operators (《經營者集中審查規定》). These provisions further elaborate on the factors to be considered in assessing monopoly agreements, abusive practices and concentrations of operators.

THAI LAWS AND REGULATIONS

Civil and Commercial Code of Thailand (the "CCC")

Laws governing formation and incorporation of types of Thai business entity can be found in the CCC. A private limited company is formed through a process which leads to the registration of a memorandum of association and articles of association (By-laws), as its constitutive documents. A company is formed with the registered capital and divided into shares to be subscribed by the promoters or shareholders. The liability of the shareholders being limited to the amount unpaid on the shares respectively held by them.

Incorporation and promoters

There must be a minimum of three promoters for a private limited company who are responsible for subscribing and registering the incorporation of the company with the Department of Business Development as it is stated in Section 1097 of the CCC that any three or more persons may promote and form a limited company by subscribing their names to a memorandum and otherwise complying with the provisions of the CCC. The promoters must be individual persons (not juristic entities). The promoters can be foreigners and/or Thai nationals. However, each promoter is required to be among the company's initial shareholders immediately upon the company's registration and is required to subscribe and hold a minimum of one share upon the company's registration. They are generally free to transfer those shares to existing shareholders or third parties, thereafter, if they wish. However, the number of shareholders in a company shall always be remaining of not less than three shareholders (individual and/or juristic entities) as required by the CCC.

Noted that after 7 February 2023, the requirement of minimum shareholders of three persons are reduced to two persons according to Section 1097 of CCC.

Memorandum of association (the "MOA")

The MOA of the company has to be filed with the Department of Business Development and must include the name of the company that has been successfully reserved and approved by the Department of Business Development, the physical address where the company will be located in Thailand, its business objectives, the capital to be registered, and the names of the promoters.

Articles of association (the "AOA")

The AOA are the regulations of the company concerning its internal affairs such as shares, general meetings, voting rights, director and auditor, distribution of dividends, dissolution etc.. It is one of the most important corporate documents, the content of which is determined and approved by at the statutory meeting or the general meeting of shareholders with a special resolution (if later amended). A company may choose to either adopt its own AOA or refer to the relevant provisions of the CCC.

Registered capital

In general, the registered amount of the capital should be respectable enough and adequate for the intended business operation. The registered capital will be divided into shares with the same par value, which must not be less than THB 5 (Five Thai Baht) per share. All shares must be subscribed, and at least 25% (twenty-five percent) of the subscribed shares must be paid up. If the company intends to employ foreigners, the minimum registered capital requirements for applying work permit may also apply. The company must have registered capital of not less than THB 2 million (two million Thai Baht) with fully paid-up for each one foreign employee, or THB 4 million (four million Thai Baht) share capital for two foreign employees, or THB 6 million (six million Thai Baht) for three foreign employees respectively.

Directors

A company shall be managed by at least one individual director under the control of the general meeting of shareholders. There are currently no general restrictions on the nationality of directors who control a Thai private limited company in Thailand. Therefore, a foreigner can be a sole director of the company. By law, foreign director and Thai director are not treated differently. However, foreign director needs a work permit to work in Thailand in order to manage a company by all lawful means necessary within the scope stipulated in the MOA, AOA, the resolutions of shareholders' meetings, and applicable Thai laws. Thus, foreign directors residing abroad should pay attention and apply for a work permit to work in Thailand even if they only intend to attend a meeting or training. Under Thai law, it specifies only the requirements of director and the board of directors for companies (without having supervisor or board of supervisors). Therefore, a company in Thailand is not required to have supervisor or board of supervisors which is subject to each company's management policy and organisation chart.

Shareholders and shareholders meeting

Every company is required to hold the annual general meeting (the "**AGM**") annually. The extra-general meeting shall be held upon being called by the directors or one-fifth of the shareholders.

Notice of every general meeting of shareholders shall be published at least once in a local paper and be sent to every shareholder of the company by receipt acknowledge registered mail at least seven days before the date of meeting unless, in case of the general meeting which has to provide a special resolution, the notice shall be published in a local newspaper and be sent to every shareholder of the company at least 14 days before the date of the meeting.

Shareholders representing not less than 25% of the capital of the company must present at the shareholders' meeting to constitute a quorum. A resolution shall be made by a majority vote; in the case of a tied vote, the Chairman of the meeting shall be entitled to a casting vote.

According to the CCC, a supermajority vote of 75% of total shares is required for passing a special resolution as required by law, i.e. amendment to the MOA and AOA, increase or decrease of registered capital, dissolution, conversion to a public company and subscription shares by payment in kind.

In addition, pursuant to Section 1171 of the CCC, the AGM shall be held within 6 months after the registration and subsequently be held every 12 months.

Share transfer

Under the CCC, the transfer of shares must be made in writing and signed by the transferor and transferee whose signatures are certified by at least one witness (the "**Share Transfer Instrument**"); otherwise, such transfer shall be void. The Share Transfer Instrument must contain at least (i) the names of the transferor and transferee, and (ii) the number of the transferred shares. The transfer of shares will become valid against the company and/or any third party only upon its registration in the share register book specifying the details of the transfer and the name and address of the transferee.

Share registered book

A company is required to prepare and keep a share register book recording the history of change of shareholders. It is important to note that any share transfers shall be invalid against a company and third parties until such transfer is recorded in the share registered book. Share register book is presumed to be correct evidence of any matters directed or authorised by the laws.

Under the CCC, in case a company fails to keep a share register book in accordance with Section 1138 and fails to have the share registered book opened for inspection by shareholders upon their request in accordance with Section 1139, the target company shall be liable to a fine not exceeding THB 20,000 under Section 10 and 11 of the Corporate Criminal Act.

Share certificate

Share certificates shall be issued and delivered by a limited company to each shareholder for the share held by him. Share certificates shall be signed by at least one of the directors and affixed to the limited company's seal; moreover, the share certificate must contain a name of the company, share number(s), the value of each share and if the shares have not been fully paid up, the paid amount of each share shall be indicated therein.

Failure to provide share certificates for the shareholders containing the particulars as specified in Section 1127 and Section 1128 of the Civil and Commercial Code of Thailand would result in a fine not exceeding THB 10,000 pursuant to Section 8 of the Corporate Criminal Act.

Laws and regulations on foreign business and investment

Foreign Business Act (the "FBA")

Thai law imposes restrictions on foreigners engaging in certain business activities. The principal law with respect to foreign participation in various business activities is the FBA. The FBA defines the definition of "foreigner" to be (i) a non-Thai natural person; (ii) a legal entity not incorporated in Thailand; (iii) a juristic entity incorporated in Thailand with at least 50% (fifty percent) of share capital owned by foreign individuals or entities; and (iv) a limited partnership or a registered ordinary partnership having a non-Thai natural person as the managing partner or manager. Based on the aforesaid definition, a private limited company which is owned by majority Thai nationals and/or entities with at least more than half of the share capital shall be considered as a Thai private limited company and is not subject to the FBA. Foreigners therefore are generally allowed to participate and own less than 50% of shares capital unless otherwise particularly prescribed in specific law, in case the company intends to engage in any restricted businesses.

Investment Promotion Act (the "Investment Act")

The BOI was set up under the Investment Act for the purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Act, the Thai government has granted full foreign ownership rights to foreign nationals who promise to make major investments and transfer technology to Thailand. Generally, the BOI privileges are granted for manufacturing activities as well as certain non-manufacturing activities which fall within the eligible activities as listed by the BOI. However, to qualify for the BOI privileges, the foreign nationals are obligated to transfer into Thailand the specified capital, technology and equipment technology within the period as set forth in its investment promotion certificate, and strictly comply with the specific condition as set forth in the investment promotion certificate.

Law on land: The Land Code

The Land Code stipulates that foreigners may acquire land by virtue of the provisions of a treaty giving the right to own immovable property, subject to the provisions of the Land Code and, subject to the limitation on rights over land for religious purposes, foreigners may acquire land for residence, commerce, industry, agriculture, burial, public charity or religion under the conditions and procedures prescribed in ministerial regulations and with the permission of the minister.

Laws and regulations on employment and social security

Social Security Act of B.E. 2533 (1990) (the "Social Security Act") in Thailand

The Social Security Act in Thailand, and its amendments, established the Social Security Fund (the "**Fund**") with the objective of providing coverage for fund members under certain conditions.

The stipulations of the Social Security Act apply to every company having one or more employees. Persons insured under the provisions of the Fund include all employees from the age of 15 years up through those not over 60 years.

A company having one or more employees must register with the Social Security Office for the Fund within 30 days after hiring the first employee. If the company increases the number of employees, it must submit a new employee registration form for each new employee.

Workmen's Compensation Act, B.E. 2537 (1994) (the "WCA")

The Workmen's Compensation Fund was established under the WCA to ensure that adequate compensation is paid when workers are injured, become ill, or die as a result of their work, or as a result of illnesses arising out of the nature or conditions of the work, or as the Department of the Interior may prescribe. This objective will be achieved by requiring employers to register with and contribute to the Workers' Compensation Fund and by having the Department of Labour Protection and Social Welfare pay the above compensation that employers are required to pay under the Occupational Safety and Health Act instead of employees. The contribution rate should be 0.2%-1%.

Labour Protection Act, B.E. 2535 (1992) (the "LPA")

The LPA is a comprehensive law that sets out the rights and obligations of employers and employees in the workplace. It aims to protect the welfare of workers and ensure fair treatment.

Under section 108 of the LPA, the Target Company shall procure the work rules in Thai language upon the date the employer employed more than 10 employees and shall disclose such work rules at the working place of the employee. As from 4 April 2017, the work rules are not required to submit to the Labour Department in accordance with the Order of the Head of the National Council for Peace and Order No. 21/2017 dated 4 April 2017 Governing Amendment of Laws for Ease of Doing Business.

Foreigners' Working Management Emergency Decree

Pursuant to Section 8 of the Foreigners' Working Management Emergency Decree B.E. 2560 (2017), a foreigner shall not carry out any work prescribed in the notification issued under section 7 paragraph one or carry out any work without a work permit.

Law and regulations on tax: The Revenue Code of Thailand (the "RC")

The principal law with respect to tax implication in Thailand is the RC governed by the Revenue Department.

Corporate income tax ("CIT")

According to the RC, in general, a company is subject to the CIT rate of 20% on net profit. In addition, with respect to Small Medium Enterprises, a company having a paid-up registered capital at the end of the accounting period not exceeding THB 5 million (Five million Thai Baht) and having annual revenue income from business operation not exceeding THB 30 million (Thirty million Thai Baht) per annum shall be entitled to reduction of CIT in which it will be exempted from CIT for the net profit not over THB 300,000, and it will be subject to 15% CIT on net profit range between THB 300,001 – 3,000,000, and 20% CIT on net profit exceeding THB 3,000,000.

Value added tax ("VAT")

VAT is an indirect consumption tax levied on the supply of goods and provision of services by a VAT operator and on the import of goods or services. Any person (individual or juristic entity) who conducts business in Thailand and its annual turnover exceeds THB 1.8 million (One million Eight Hundred Thai Baht) is required to register to be a VAT operator. A VAT operator is required to comply with VAT requirements per the RC. Only a registered VAT operator is entitled to claim for prepaid VAT credit or VAT refund.

There are also other applicable taxes, for example, the excise tax, withholding tax, special business tax, land and building tax and stamp duty, etc. A company is required to file tax returns to the Revenue Department on a regular basis, including monthly, annual and semi-annual reports.

INDONESIAN LAWS AND REGULATIONS

Company Law and Foreign Investment Law

The establishment of a company is governed by Law No. 40 of 2007 concerning limited liability company as last amended by Government Regulation in lieu of Law No. 2 of 2022 concerning Job Creation ("**Company Law**"). According to the Company Law, limited liability company is a legal entity constitutes a capital alliance, established based on an agreement, in order to conduct business activities with the company's authorised capital divided into shares. A company is established by two or more persons or entities by notarial deed made in the Indonesian language. A company must have an authorised capital where at least 25% of the authorised capital must be issued and fully paid up.

If one of the shareholders is a foreign entity/person, then the company shall be referred to as the foreign investment company (*Perusahaan Penanaman Modal Asing* or "**PMA Company**") which then shall be subject to Law No. 25 of 2007 on Investment as last amended by Government Regulation in lieu of Law No. 2 of 2022 concerning Job Creation ("**Investment Law**"). The establishment of PMA Company must pay attention to the provisions stipulated in Investment Law and regulations made by the Capital Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* or "**BKPM**"). Under BKPM No. 4 of 2021 on the Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facility ("**BKPM Reg No. 4/2021**"), a PMA Company is categorised as a large business and must have a minimum capital of IDR10,000,000,000.00 (10 billion Indonesian rupiah) and minimum investment value of IDR10,000,000,000.00 (10 billion Indonesian rupiah) excluding land and buildings, per project location. The term investment could be in form of capital or loan.

Furthermore, every company must have a Business Identification Number (*Nomor Induk Berusaha* or "**NIB**") as its proof of registration to conduct business activities and as an identity of the company in carrying out its business activities based on Government Regulation Number 5 of 2021 on the Implementation of Risk-Based Licensing as partially revoked by Government Regulation Number 11 of 2023 ("**GR No. 5/2021**"). The NIB is issued by the central government or regional government depending on the location and size of the company.

Dividend

Dividend distribution in a company is governed by Company Law. According to Article 70, a company must set aside a portion of its annual net profit as a reserve fund once it has achieved at least 20% of its issued and paid-up share capital. After this reserve is allocated, the remaining net profit can be distributed as dividends, subject to shareholder approval at the general meeting of shareholders ("**GMS**").

For interim dividends, which are paid before annual earnings are finalised by the GMS, the following conditions must be met: (i) the articles of association allow it; (ii) the company's net assets remain greater than the total subscribed and paid-up capital plus the mandatory reserve; and (iii) the interim dividend distribution does not hinder the company's ability to meet its obligations or disrupt operations.

The board of directors, with the approval of the board of commissioners, decides on interim dividend distribution. If the company incurs losses by the end of the financial year, shareholders must return any interim dividends received.

Law on tax registration

Every company must be registered in the Directorate General of Taxes in order for the issuance of the taxpayer identification number (*Nomor Pokok Wajib Pajak* or "**NPWP**") to identify the company as a taxpayer according to Law Number 6 Year 1983 concerning General Provisions and Tax Procedures as last amended by Law Number 7 of 2021 on Tax Regulation Harmonization Law ("**Law No. 6/1983**"). The NPWP will be issued by the Director General of Taxes.

Once the sales turnover of the Company has reached at least IDR4,800,000,000 (4.8 billion) per annum, under Minister of Finance Regulation No. 147 of 2017 on Taxpayer Registration and Removal of Taxpayer Numbers and Enforcement and Revocation, the company must obtain the Taxable Entrepreneur Confirmation Letter (Surat Pengukuhan Pengusaha Kena Pajak or "**SPPKP**").

Regulation on industrial licences

Any company that carries out industrial business must obtain Industrial Business Licence (*Izin Usaha Industri* or "**IUI**") as stipulated under Government Regulation Number 107 of 2015 on Industrial Business License ("**GR No. 107/2015**"). The IUI is issued by the Central Government or regional government depending on the location of the company. Following the obtainment of IUI, the company must conduct periodical report of the business activities through online system namely National Industry Information System (*Sistem Informasi Industri Nasional* — SIINAS).

Law and regulation on land and building

In Indonesia, the land rights available for PMA Companies in the industrial sector are primarily the right to build (*Hak Guna Bangunan* or "**HGB**"). HGB allows the use of state land or land under management rights for construction and building purposes. As stipulated under Government Regulation No. 18 of 2021 regarding Right of Management, Land Rights, Condominium Unit, and Land Registration ("**GR No. 18/2021**"), initially granted for a maximum period of 30 years, the HGB can be extended for another 20 years and renewed for an additional 30 years, providing a potential total tenure of up to 80 years.

For manufacturer, in order to utilise the buildings and factories, every company must obtain a Feasible Function Certificate (*Sertifikat Laik Fungsi* or "**SLF**") in order to certify the feasibility of the building function before it can be utilised according to Law Number 28 of 2002 on Buildings as amended by Law Number 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation ("**Building Law**"). SLF is issued by the technical officials of the local government that organise government affairs in the field of building according to Government Regulation Number 16 of 2021 on the Implementing Regulation of Law No. 28 of 2002 on Building ("**GR No. 16/2021**").

Regulation on environmental requirements

On environmental licences, every company that conducts business plan and/or activity that has an impact on the environment must have either Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan Hidup* or "**Amdal**"), Environmental Management Efforts and Environmental Monitoring Efforts (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* or "**UKL-UPL**") or Statement Letter of Commitment to Manage and Supervise the Environment (*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup* or "**SPPL**") according to Government Regulation No. 22 of 2021 on Protection and Management of the Environment ("**GR 22/2021**"). Amdal must be owned for every business plan and/or

activity that has an important impact on the environment. UKL-UPL is applicable for companies that conduct business plan and/or activity that do not have an important impact on the environment. Meanwhile SPPL is applicable for companies that conduct business plan and/or activity that do not have an important impact on the environment and are not included in the mandatory UKL-UPL criteria. The Minister of Environment and Forestry or provincial governor or the mayor/regent will conduct evaluation of the company's Amdal through the Environmental Feasibility Evaluation Team depending on the company's location. The Minister of Environment and Forestry or provincial governor or the mayor/regent will conduct evaluation of the UKL-UPL depending on the company's location and the governmental authority that issued the company's licences. Meanwhile, SPPL is completed by filling the SPPL form through the Environmental document information system.

Law on mandatory use of Rupiah

Law Number 7 of 2011 concerning Currency, Bank Indonesia Regulation Number 17/3/PBI/2015 on the Mandatory Use of Rupiah within the Republic of Indonesia ("**PBI No. 17/2015**"), and Bank Indonesia Circular Letter No. 17/11/DKSP dated 1 June 2015 on the same subject ("**BICL 17**") set forth rules requiring the use of the Indonesian Rupiah for all transactions within the country. These regulations aim to stabilise the Rupiah's value and reduce the current account deficit. PBI No. 17/2015 and BICL 17 prohibit the use of foreign currency in Indonesia for payments, settlement of monetary obligations, and all other financial transactions. The abovementioned rule does not apply to international trading transactions or banking transactions.

Law on manpower

According to Law Number 7 of 1981 on Mandatory Manpower Report ("**Law No. 7/1981**"), every company must submit an annual written report on the company's labour including the number of employees to the Ministry of Manpower. Every company that employs foreign workers must have a plan for the use of foreign workers authorised by the Ministry of Manpower officials under Law No. 13 of 2003 as last amended by Government Regulation in lieu of Law No. 2 of 2022 concerning Job Creation ("**Manpower Law**").

Foreign worker

RPTKA

The approval of the Foreign Manpower Utilization Plan ("**RPTKA**") by the Minister of Manpower now serves as the permit for employers to hire foreign workers. According to Government Regulation No. 34 of 2021 regarding the Utilization of Foreign Workers ("**GR No. 34/2021**"), an approval of RPTKA (*Pengesahan RPTKA*) is generally required, except for (i) a member of the board of directors or Board of Commissioners and has a certain share ownership in the company; (ii) a diplomatic or consular staff member at a foreign state representative office; and (iii) required by the employer in connection with a production activity that has ceased due to any emergency, vocational activities, a tech-based startup, business visits, or research for a set period of time. Additionally,

applications for RPTKA approval submitted by (i) government agencies, (ii) foreign state representatives, and (iii) international organisations are exempt from a specific application stage, namely the suitability assessment for the approval of the RPTKA application submitted by the Employer of Foreign Workers, once the application is declared complete and correct.

RPTKA documents submission

Under Minister of Manpower ("**MoM**") Regulation No. 8 Of 2021 on Implementing Regulation of Regulation of the Government No. 34 of 2021 on the Utilization of Foreign Workers ("**MoM Reg. No. 8/2021**"), the process to employ foreign workers begins with the submission of an application through the TKA Online system. The application is addressed to the Director of Foreign Manpower Utilization Management (Direktur Pengendalian Penggunaan Tenaga Kerja Asing) if fewer than 50 foreign workers are to be employed. If 50 or more foreign workers are to be employed, the application is addressed to the Director General of Manpower Placement Guidance and Expansion of Work Opportunity (Direktur Jenderal Pembinaan Penempatan Tenaga Kerja dan Perluasan Kesempatan Kerja). Several pieces of information must be included, and documents must be uploaded for the application, as further detailed in Articles 9 to 12 of MoM Reg. No. 8/2021.

RPTKA appropriateness assessment

Once the application is declared complete and correct, the MoM will then conduct an appropriateness assessment of all the documents submitted by the employer ("**RPTKA Assessment**"). If the assessment concludes that all the requirements have been met, the MoM will issue the RPTKA Assessment result ("**Assessment Result**") in no more than two working days.

Submission of foreign worker personal data

Either concurrently with the submission of the RPTKA documents or following the issuance of the Assessment Result, the employer is required to submit the personal information and documents of the foreign workers via the TKA Online system. The MoM will undertake the verification of these documents and personal information within a maximum of two (2) working days.

DKPTKA payment and RPTKA approval

Upon verification of complete and accurate information and documents, MoM will issue a payment notification letter for the Foreign Workers Compensation Fund (Dana Kompensasi Penggunaan Tenaga Kerja Asing or "**DKPTKA**"). The payment amount is USD100 per position per person monthly, payable to a bank designated by the Ministry of Finance or local government. After the DKPTKA payment is made, MoM will issue the RPTKA Approval and electronically transmit the data to the Ministry of Law and Human Rights ("**MOLHR**") for visa and stay permit processing. The RPTKA Approval serves as a recommendation to obtain visas and stay permits for foreign workers.

VITAS

Foreign workers can obtain a limited stay visa (Visa Tinggal Terbatas or "**VITAS**"). The sponsor or the foreign workers themselves can apply for a VITAS through the relevant immigration officials. The application requires, among other things, proof of sponsorship from the sponsor who is the employer of the foreign workers. A VITAS is necessary for obtaining a Limited Stay Permit ("**ITAS**").

ITAS

An ITAS allows foreigners to reside in Indonesia for work. The duration of stay in Indonesian territory under an ITAS originating from a Limited Stay Visa for foreign workers can be granted for a maximum period of: (i) 180 days; (ii) 1 year; or (iii) 2 years.

Companies must (a) appoint Indonesian workers as assistants to foreign workers employed for technology transfer and transfer of expertise from foreign workers; (b) train Indonesian workers in accordance with the qualifications of positions occupied by foreign workers; and (c) repatriate foreign workers to their country of origin after the employment relationship ends.

Minimum wage

The provincial governor determines the provincial minimum wage as well as the district/city minimum wage in the event that the result of the calculation of the district/city minimum wage is higher than the provincial minimum wage. The provincial and district/city minimum wage is determined based on economic and labour conditions from data sourced from institutions authorised in the field of statistics.

Import licence

Pursuant to Government Regulation No. 5/2021, in addition to serving as a licence to conduct business activities, the NIB also functions as an Importer Identification Number (Angka Pengenal Importir or "**API**"). Business actors may select the type of API by completing a declaration regarding customs activities within the Online Single Submission System.

Furthermore, under Ministry of Trade Regulation No. 36 of 2023 as last amended by Ministry of Trade Regulation No. 7 of 2024 on Import Policies and Arrangements ("**MOT Reg. 36/2023**"), importers must have NIB that can be used as an Importer Identification Number (Angka Pengenal Importir or "**API**"). The API contained in the NIB can either be registered as General API-U (API Umum, or "**API-U**") to import goods for trading or transfer or Producer API-P (API Produsen or "**API-P**") to import certain goods to be used as capital goods, raw materials, auxiliary materials, and/or materials to support the production process.

Moreover, importers must have a business licence in the field of Import of certain goods from the Minister of Trade before the Goods enter the Customs Area in Indonesia, such as in the form of (i) Registered Importer (Importir Terdaftar or "**IT**"), (ii) Producer Importer (Importir Produsen or "**IP**"), and/or (iii) Import Approval (Persetujuan Impor or "**PI**"). Additionally, regarding the PI, the Minister of Trade shall issue the PI through the Director General of Foreign Trade.

Specifically regarding the importation of Dangerous Substances (Bahan Berbahaya or "**PI-B2**"), only state-owned company are allowed hold API-U when importing B2 substances, while non-state-owned company, such as PMA Company, can only hold API-P to import B2 substances.

Moreover, based on Schedule 1 of MOT Reg. 36/2023, to import certain B2 substances, our Company must have both IP and PI licences.

NETHERLANDS LAWS AND REGULATIONS

Our Company sells food additives in the Netherlands and throughout Europe. Food additives are substances deliberately added to foods to achieve specific technological objectives. When permitted, these additives are assigned an E number. The rules regarding the use and approval of additives are outlined in European Union (EU) legislation, with the most important regulation being Regulation (EC) No 1333/2008 of the European Parliament and of the Council of 16 December 2008 on food additives.

Applicable legislation

There is both European Union and national Dutch legislation governing additives, and this legislation is regularly amended. The most recent consolidated version, incorporating all recent changes, can be found on EUR-Lex, the European Union legal documents website.

European Union legislation on additives

In 1989, the first legislation in a European context was adopted: the framework Directive 89/107/EEC, which sets out rules in the field of food additives. This Directive was followed by specific Directives for colours and sweeteners in 1994 and other additives in 1995.

At the end of 2008, the legislation regarding food additives, colourings, and sweeteners was consolidated into a new regulation. The advantage of Regulation (EC) No. 1333/2008 is that all rules are now unified in a single piece of legislation. Furthermore, unlike an EU Directive, an EU Regulation is directly applicable in all EU Member States and does not need to be implemented into national legislation.

At the end of 2008, regulations regarding the use of food enzymes and flavorings, as well as a new registration procedure for additives, enzymes, and flavorings, were also established. This package of measures is collectively known as the Food Improvement Agents Package ("**FIAP**").

This FIAP package consists of four regulations:

- Regulation (EC) No. 1333/2008 with rules on food additives;
- Regulation (EC) No. 1334/2208 with rules regarding flavouring substances;
- Regulation (EC) No. 1332/2008 with rules regarding enzymes; and
- Regulation (EC) No. 1331/2008 establishing a common authorisation procedure for food additives, food enzymes and food flavouring.

In addition, several additional regulations have been adopted, including:

- Regulation (EU) No. 231/2012 (food additive specifications);
- Regulation (EU) No. 257/2010 (programme for the re-evaluation of approved food additives);
- Regulation (EC) No. 2065/2003 (smoke flavouring); and
- Regulation (EU) No. 1321/2013 (establishment of the list of smoke flavouring).

Of these regulations, the two most important regulations for users, traders and manufacturers of food additives are:

- Regulation (EC) No. 1333/2008 of the European Parliament and of the Council of 16 December 2008 on food additives; and
- Commission Regulation (EU) No. 231/2012 of 9 March 2012 laying down the specifications for food additives listed in Annexes II and III to Regulation (EC) No. 1333/2008 of the European Parliament and of the Council.

General requirements

Regulation (EC) No. 1333/2008 establishes requirements for food additives used in foods. The regulation aims to ensure a well-functioning internal market within the EU. Additionally, it seeks to protect consumers, particularly in the areas of health and fair trade practices.

This regulation establishes the following:

- EU lists of authorised food additives, included in Annex II (additives for use in food) and Annex III (additives for use in food additives, food enzymes, flavourings and nutrients);
- the conditions of use for food additives in foods, including food additives, and in food enzymes as provided for in Regulation (EC) No. 1332/2008 and in flavourings, as regulated in Regulation (EC) No 1334/2008;

- requirements for the labeling of food additives sold as such; and
- specific rules regarding the carry-over principle.

The annexes to Regulation (EC) No. 1333/2008 are very important. The most significant annex is Annex II, which contains the EU list of authorised food additives and the conditions for their use in various food categories.

Purity requirements

Food additives must comply with the specifications and purity criteria outlined in Regulation (EC) No. 231/2012. The annex to this regulation specifies the criteria for food additives listed in Annexes II and III of Regulation (EC) No. 1333/2008.

Admission of additives

The regulations below regulate the admission of additives:

- Regulation (EC) No. 1331/2008 of the European Parliament and of the Council of 16 December 2008 establishing a common approval procedure for food additives, food enzymes and food flavourings; and
- Commission Regulation (EU) No 234/2011 of 10 March 2011 implementing Regulation (EC) No. 1331/2008 of the European Parliament and of the Council establishing a common approval procedure for food additives, food enzymes and foodstuffs food flavourings.

Dutch legislation on additives

The Dutch national legislation for additives is stated in:

- Commodities Act Decree on additives, flavourings and enzymes in foodstuffs (*Warenwetbesluit additieven, aroma's en enzymen in levensmiddelen*)

The Commodities Act Decree implements European legislation concerning additives, flavourings, and enzymes. Member States have the discretion to stipulate that specific information must be provided in one or more official languages. This requirement applies solely to the labeling of products not intended for the end consumer (B2B). Article 3 of the Commodities Act Decree exercises this option by mandating that B2B labeling must include English or Dutch. Additionally, other languages may also be used for providing information.

Enforcement

The Netherlands Food and Consumer Product Safety Authority (*De Nederlandse Voedsel- en Warenautoriteit*, **NVWA**) is responsible for enforcing food legislation, including regulations governing the use of additives in food and the trade in food additives. Due to

its limited capacity relative to the number of companies, areas of supervision, and legislation, the NVWA prioritises its supervisory activities. These priorities are based on risks such as potential health hazards, deceptive practices, or non-compliance with legislation.

U.S. LAWS AND REGULATIONS

U.S. import tariff regulation

The U.S. tariff import regulation system is governed by a comprehensive legal framework. All goods imported into the U.S. are classified for tariff purposes under the *Harmonized Tariff Schedule of the United States* ("**HTSUS**"). The HTSUS is maintained by the United States International Trade Commission ("**USITC**") and is regularly updated to reflect changes in international trade and tariff policy. Every product imported into the U.S. must be classified under a specific HTSUS subheading.

The U.S. adopts *ad valorem* (based on the value of the goods) systems to determine tariff rates to be applied on imported goods. The value of imported goods is determined according to the customs valuation rules, which primarily use the transaction value (the price actually paid or payable for the goods) as the basis for duty assessment. Glycine produced in China is imported into the U.S. market at the General Glycine Tariff.

Since at least 29 March 1995, the U.S. Department of Commerce ("**DOC**") has imposed an anti-dumping duty on imports of glycine from China. Currently, the U.S. imposes an anti-dumping duty rate on imports of glycine from China to 155.89% *ad valorem*. Since 2019, the U.S. has imposed a countervailing duty on imports of glycine from China, at a rate of 144.01% *ad valorem*. During the U.S.-China Trade War, effective 24 September 2018, glycine produced in China was subject to an additional 10% *ad valorem* duty under Section 301 of the Trade Act of 1974, increasing to 25% as of 10 May 2019. During the Track Record Period, the applicable Section 301 rate for glycine imported from China was 25% *ad valorem*. On 1 February 2025, President Donald Trump announced an additional 10% tariff on all Chinese imports, effective 4 February 2025. On 3 March 2025, President Donald Trump announced an additional 10% tariff on all imports from China (and Hong Kong), effective 4 March 2025. On 12 May 2025, President Trump imposed the US Reciprocal Tariff of 34% *ad valorem* (paused for 90 days and subject to a 10% tariff instead from 14 May 2025) on all Chinese imports, with a few exceptions (including sucralose, which is not subject to the US Reciprocal Tariff as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025). As at the Latest Practicable Date, glycine originating in China is thus subject to the cumulative effective duties equivalent to 359.10% *ad valorem*, depending on the method of customs valuation.

Imports of glycine from Indonesia is subject to the General Glycine Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%).

Imports of sucralose from China is subject to a general tariff rate of 3.7% *ad valorem* and the US 2025 IEEPA Tariff of 20%. Sucralose is not subject to the US Reciprocal Tariff, since sucralose falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025.

U.S. anti-dumping laws

U.S. anti-dumping laws regulate the imposition of anti-dumping duties on imports that are being "dumped" into the U.S.. The statutory definition of dumping is "the sale or likely sale of goods at less than fair value" (19 U.S.C. §1677 (34)). Fair value is often known as the product's normal value, and represents, for instance, the price of the import in its home market. Alternatively, a product's normal value can be its price in a third-country market, a constructed value, or — if the product originates from a non-market economy — the aggregate value of its factors of production.

U.S. anti-dumping laws are designed to protect domestic industries from foreign producers selling goods at less than fair market value, which can harm domestic manufacturers. The U.S. considers dumping an unfair trade practice. U.S. anti-dumping laws are enacted at the federal level, and are enforced by federal agencies the DOC and the International Trade Commission ("**ITC**"). When an industry petitioner believes that it is being harmed by unfairly priced imports, i.e. products that are "dumped", it can file a petition with the DOC and ITC. If these bodies determine that dumping has occurred and caused material injury to the domestic industry, anti-dumping duties are imposed on the imports in question. To be successful, the petitioners requesting imposition of anti-dumping duties must show that the imported products they claim being "dumped" are sold in the U.S. at "export prices" that are less than its normal value and that such sales injure, or threaten to injure, the U.S. industry.

U.S. Countervailing Laws

U.S. countervailing laws regulate the imposition of countervailing duties on imports that are being "subsidized" in another country. If the U.S. administering authority determines that the government of a country or any public entity within the territory of a country is providing, directly or indirectly, a countervailable subsidy with respect to the manufacture, production, or export of a class or kind of merchandise imported, or sold (or likely to be sold) for importation, into the United States, there shall be imposed upon such merchandise a CVD (countervailing) duty, in addition to any other duty imposed.

Transshipping

Under U.S. anti-dumping laws, evasion is defined as "the entry of covered merchandise into the customs territory of the U.S. for consumption by means of any document or electronically transmitted data or information, written or oral statement, or act that is material and false, or any omission that is material, and that results in any cash deposit or other security or any amount of applicable anti-dumping or countervailing duties being reduced or not being applied with respect to the merchandise." Under 19 USC § 1517(c)(1)(A) and 19 C.F.R. 165.27(a), to reach a determination as to evasion, the U.S. Customs and Border Protection must "make a determination, based on *substantial evidence*, with respect to whether such *covered merchandise* entered into the customs territory of the U.S. through evasion." "Covered merchandise" is defined by 19 C.F.R. 165.1 as "merchandise that is subject to a CVD (countervailing) order … and/or an AD (anti-dumping) order." For details of the potential impact on our business, please refer to the section headed "Risk factors — Risks relating to our business — Our business may be adversely affected by international trade policies and trade barriers" in this document.

Hong Kong's trade law status

As of 14 July 2020, the U.S. no longer treats Hong Kong as a separate economy from China. President Trump signed Executive Order 13936, which required the U.S. to "suspend or eliminate different and preferential treatment for Hong Kong." Producers in and imports from Hong Kong now share the China-wide rate in anti-dumping duty investigations.

Re-election of President Donald Trump

The return of President Donald Trump to White House in 2025 has ushered in a new era of aggressive trade enforcement. This approach is characterised by protectionist measures aimed at reducing the U.S. trade deficit, strengthening domestic manufacturing, and countering what the administration views as unfair trade practices by foreign governments, particularly China. A hallmark of the policy is the substantial expansion of tariffs, including the fentanyl related March 2025 Tariffs on all Chinese imports, imposed in successive stages — 10% effective 4 February 2025, an additional 10% effective 4 March 2025, and a sweeping 34% US Reciprocal Tariff (paused for 90 days and subject to a 10% tariff instead from 14 May 2025) announced on 12 May 2025, with a few exceptions (including sucralose, which is not subject to the US Reciprocal Tariff as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025). A US Reciprocal Tariff of 32% (paused for 90 days and subject to a 10% baseline tariff instead from 10 April 2025) on all imports from Indonesia, and a US Reciprocal Tariff of 36% (paused for 90 days and subject to a 10% baseline tariff instead from 10 April 2025) on all imports from Thailand were also announced on 2 April 2025 and 9 April 2025. Industries reliant on Chinese imports face sharply increasing costs and greater scrutiny under the Trump administration's enhanced customs enforcement measures. Overall, these policies introduce significant uncertainty for multinational businesses and supply chain operators.

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

Set out below is a summary of the sanctions regimes implemented by the U.S., the E.U., and the U.N. which are relevant to us. This summary does not intend to set out the relevant sanctions laws and regulations in their entirety.

United States economic sanctions laws

OFAC administers and enforces U.S. primary sanctions programs, and violation of primary sanctions carries monetary and criminal penalties. It has also enacted secondary sanctions targeting non-U.S. Persons who are engaged in certain defined activities.

Primary sanctions

In general, U.S. primary sanctions apply to U.S. Persons or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. Persons). U.S. primary sanctions may also be applied to non-U.S. Persons who cause U.S. Persons to violate sanctions or otherwise facilitate the violation of some sanctions programs. In

addition, U.S. primary sanctions prohibit U.S. Persons, wherever located, from approving, financing, facilitating or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. Person or within the United States. This is generally known as the prohibition on "*facilitation*".

There are two types of U.S. primary sanctions programs — "country based" programs and "list based" programs. Violations of either type can result in "*strict*" civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, wilful violations may result in criminal liability, punishable by imprisonment and elevated fines.

"Comprehensive country based" sanctions programs prohibit U.S. Persons from dealing in any manner with a Comprehensively Sanctioned Country and their governments. "Limited country-based" sanctions programs, which are often referred to as "sectoral sanctions", prohibit U.S. Persons from participating in certain types of transactions with particular persons related to the sanctioned country and their governments. "List based" programs prohibit U.S. Persons from dealing with or facilitating dealings with individuals, entities and organisations that have been designated as SDNs by the OFAC.

Secondary sanctions

The U.S. has also enacted secondary sanctions targeting non-U.S. Persons who are engaged in certain defined activities. Secondary sanctions grant broad discretion to the U.S. President and his delegated representatives to deny access to the U.S. economic system to non-U.S. Persons who have been determined to engage in the specified transaction. The imposition of penalties under secondary sanctions legislation is a mechanism that the U.S. employs to punish and deter non-U.S. parties from certain behaviour and transactions.

European Union sanctions regimes

The E.U. has over 40 different sanctions regimes in place. The E.U. implements all sanctions adopted by the U.N. Security Council. The E.U. may also reinforce U.N. sanctions by applying measures in addition to those imposed by the U.N. Security Council and/or impose sanctions on its own initiative.

All E.U. sanctions apply: (a) within the E.U. (including its airspace); (b) on board any aircraft or vessel under the jurisdiction of any E.U. Member State; (c) to any E.U. national, regardless of where they are resident/located; (d) to any legal person, entity or body which is incorporated/constituted under the laws of any E.U. Member State, irrespective of their location, including unincorporated branches, but not entities incorporated outside the E.U. (except that European parent companies are still liable for the activities conducted by their non-European subsidiaries where they have cleared or green-lighted such activities); and (e) to any legal person, entity or body in respect of any business done in the E.U.

E.U. sanctions are implemented through E.U. regulations, which are directly applicable in the member states of the E.U. and do not require further implementing legislation on a national level. Each member state sets its own penalties for breaches of E.U. sanctions. This is generally done by way of national legislation.

United Nations sanctions regimes

The U.N. can take action to maintain or restore international peace and security under Chapter VII of the U.N. Charter. It does this by way of resolutions passed by the U.N. Security Council. U.N. Security Council sanctions have taken a number of different forms and have measures ranging from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

There are a number of ongoing U.N. sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the Security Council.

U.N. Security Council Resolutions are binding upon U.N. member states but are not enforceable against private parties. U.N. member states are therefore required to implement U.N. sanctions. The domestic laws of U.N. member states will determine how sanctions imposed by the U.N. Security Council are implemented and enforced against private parties.

OVERVIEW

Our business can be traced back to December 2003 when Mr. Wang, the chairman of our Board, an executive Director, our Controlling Shareholder and the general manager of our Company, established Jiangxi Ansun for the production and sale of glycine, one of the major products of our Group. In September 2006, our Company was established by Mr. Wang and Newtrend Industrial for the production and sale of sucralose, another major product of our Group. In July 2008, Jiangxi Ansun became a wholly-owned subsidiary of our Company. Since then, we have been rapidly expanding our geographical coverage and product range.

In December 2017, our Company was converted into a joint stock limited company with a registered capital of RMB85,645,834 and renamed as Newtrend Technology Co., Ltd.* (新琪安科技股份有限公司). On 24 February 2025, our Company was renamed as Newtrend Group Holding Co., Ltd. (新琪安集團股份有限公司).

As of the Latest Practicable Date, we have three production plants in the PRC, namely Yujiang Plant, Ji'an Plant and Xizang Plant, and two overseas production plants, namely Indonesia Plant and Thailand Plant.

OUR BUSINESS DEVELOPMENT

The following table illustrates the key milestones of our business development since our inception:

Year	Milestone
2003	Jiangxi Ansun was established in Yujiang, Jiangxi with its principal business activity of development, production and sale of glycine.
2004	Yujiang Plant commenced production of glycine.
2006	Our Company was established in Ji'an, Jiangxi.
2009	Ji'an Plant commenced production of sucralose. We were recognised as a High-tech Enterprise (高新技術企業) by the government of Jiangxi Province for the first time.
2013	Newtrend Thailand was incorporated in Thailand.
2014	Xizang Newtrend was established in the PRC for the production of industrial-grade glycine.
2017	Newtrend Europe was incorporated in the Netherlands to expand our geographical coverage to Europe.

Year	Milestone
2019	Newtrend Nutrition was incorporated in Indonesia for the production of food-grade glycine.
	We were recognised as Supplier of the Year by our American Confectionery Customer.
2024	Thailand Plant commenced production of sucralose.

OUR COMPANY AND MAJOR OPERATING SUBSIDIARIES

Our Company and the following subsidiaries of our Group had made material contribution to our results of operation during the Track Record Period.

Our Company/name of major subsidiary[#]	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment/ incorporation
Our Company	Production and sale of sucralose	Not applicable	8 September 2006, PRC
Jiangxi Ansun	Production of food-grade glycine	100%	5 December 2003, PRC
Newtrend Thailand	Sale of sucralose and food-grade glycine	100%	5 March 2013, Thailand
Xizang Newtrend	Production of industrial-grade glycine	100%	23 April 2014, PRC
Newtrend Europe	Sale of sucralose and food-grade glycine to Europe market	100%	10 November 2017, Netherlands
Nanchang Newtrend	Sale of food-grade glycine	100%	26 June 2017, PRC
Newtrend Nutrition	Production of food-grade glycine	100%	23 October 2019, Indonesia

[#] Each of the entities above contributes to 5% or more of our Group's total revenue during the Track Record Period.

CORPORATE DEVELOPMENT OF OUR COMPANY

1. Establishment of our Company and increase in registered capital

On 8 September 2006, our Company, formerly named as Ji'an Newtrend Technology Co., Ltd* (吉安市新琪安科技有限公司) and Newtrend Technology Co., Ltd.* (新琪安科技股份有限公司), was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB5,760,000.

As of the date of its establishment, our Company was owned as to 75% by Newtrend Industrial and 25% by Mr. Wang, each being one of our Controlling Shareholders.

On 30 August 2007, the registered capital of our Company was increased to RMB30,000,000. The amount of the increase in registered capital was fully settled on 4 September 2007, and our Company was owned as to 72.96% by Newtrend Industrial and 27.04% by Mr. Wang.

2. Pre-[REDACTED] investments from 2010 to 2017

From 2010 to 2017, our Company underwent several rounds of Pre-[**REDACTED**] Investments with our Pre-[**REDACTED**] Investors, namely Chen Yiyuan (陳一元), Huang Wenzeng (黃文增), Yang Haijun (楊海軍), Guoxin Hongsheng, Pingtan Xinghang Longteng Equity Investment Partnership (Limited Partnership)* (平潭興杭龍騰股權投資合夥企業(有限合夥)) ("**Pingtan Xinhang Investment**"), Shenzhen Xiuneng Newtrend Investment Enterprise (Limited Partnership)* (深圳市修能新琪安投資企業(有限合夥)) ("**Xiuneng Investment**"), Zhang Chaoyi (張朝益), Huang Yanlu (黃妍露) and Guangzhou Fuxing Investment Partnership (Limited Partnership)* (廣州富興投資合夥企業(有限合夥)) ("**Fuxing Investment**"). For further details, please refer to the paragraph headed "Pre-[**REDACTED**] Investments" in this section.

The shareholding structure of our Company immediately upon completion of the Pre-[**REDACTED**] Investments and before the conversion of our Company into a joint stock company is set forth below:

Name of Shareholders	**Description**	**Registered share capital subscribed** *(RMB)*	**Percentage of shareholding (approximate)**
Newtrend Industrial	Controlling Shareholder	23,925,654	41.1%
Pingtan Xinghang Investment	Pre-[**REDACTED**] Investor	6,666,667	11.4%
Guoxin Hongsheng	Pre-[**REDACTED**] Investor	5,693,333	9.8%
Mr. Wang	Controlling Shareholder and Director	4,030,780	6.9%
Juhexing Investment	Controlling Shareholder	3,949,485	6.8%
Fuxing Investment	Pre-[**REDACTED**] Investor	3,496,900	6.0%
Zhang Chaoyi (張朝益)	Pre-[**REDACTED**] Investor	2,498,969	4.3%
He Qingfeng (賀慶鳳)	Manager of Nanchang Newtrend	2,240,000	3.8%
Xiuneng Investment	Pre-[**REDACTED**] Investor	1,340,000	2.3%
Yang Haijun (楊海軍)	Pre-[**REDACTED**] Investor	1,260,000	2.2%
Huang Wenzeng (黃文增)	Pre-[**REDACTED**] Investor	840,000	1.4%
Chen Yiyuan (陳一元)	Pre-[**REDACTED**] Investor	840,000	1.4%
Huang Yanlu (黃妍露)	Pre-[**REDACTED**] Investor	800,000	1.4%
Chen Lijun (陳麗君)	Director	700,000	1.2%
Total		58,281,788	100%

3. Conversion of our Company into a joint stock company

On 4 December 2017, our Company was converted into a joint stock company and was renamed as Newtrend Technology Co., Ltd.* (新琪安科技股份有限公司), with a registered capital of RMB85,645,834 and divided into 85,645,834 Shares with a nominal value of RMB1.00 each.

The shareholding structure of our Company immediately upon completion of such conversion was set forth below:

Name of Shareholders	Description	Number of Shares	Percentage of shareholding (approximate)
Newtrend Industrial	Controlling Shareholder	35,159,054	41.1%
Pingtan Xinghang Investment	Pre-[**REDACTED**] Investor	9,796,753	11.4%
Guoxin Hongsheng	Pre-[**REDACTED**] Investor	8,366,425	9.8%
Mr. Wang	Controlling Shareholder and Director	5,923,286	6.9%
Juhexing Investment	Controlling Shareholder	5,803,817	6.8%
Fuxing Investment	Pre-[**REDACTED**] Investor	5,138,740	6.0%
Zhang Chaoyi (張朝益)	Pre-[**REDACTED**] Investor	3,672,268	4.3%
He Qingfeng (賀慶鳳)	Manager of Nanchang Newtrend	3,291,710	3.8%
Xiuneng Investment	Pre-[**REDACTED**] Investor	1,969,146	2.3%
Yang Haijun (楊海軍)	Pre-[**REDACTED**] Investor	1,851,586	2.2%
Huang Wenzeng (黃文增)	Pre-[**REDACTED**] Investor	1,234,390	1.4%
Chen Yiyuan (陳一元)	Pre-[**REDACTED**] Investor	1,234,390	1.4%
Huang Yanlu (黃妍露)	Pre-[**REDACTED**] Investor	1,175,610	1.4%
Chen Lijun (陳麗君)	Director	1,028,659	1.2%
Total		85,645,834	100%

4. Equity transfers by one of the Pre-[REDACTED] Investors

On 20 January 2020, with the consent of all its partners, Pingtan Xinghang Investment was dissolved. The equity interests in our Company owned by Pingtan Xinghang Investment were distributed as to 4,898,377 Shares to Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership)* (福建興證戰略創業投資企業(有限合夥)) ("**Xingzheng Strategic Venture**"), 3,876,255 Shares to Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership)* (平潭興證賽富股權投資合夥企業(有限合夥)) ("**Xingzheng Saifu Investment**"), and 1,022,121 Shares to Pingtan Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership)* (平潭興證賽富一股權投資合夥企業(有限合夥)) ("**Xingzheng Saifu No. 1 Investment**"). Upon completion of such equity transfers, the shareholding structure of our Company is as follows and remained unchanged until immediately prior to the [**REDACTED**]:

Name of Shareholders	Description	Number of Shares	Percentage of shareholding (approximate)
Newtrend Industrial	Controlling Shareholder	35,159,054	41.1%
Guoxin Hongsheng	Pre-[**REDACTED**] Investor	8,366,425	9.8%
Mr. Wang	Controlling Shareholder and Director	5,923,286	6.9%
Juhexing Investment	Controlling Shareholder	5,803,817	6.8%
Fuxing Investment	Pre-[**REDACTED**] Investor	5,138,740	6.0%
Xingzheng Strategic Venture	Pre-[**REDACTED**] Investor	4,898,377	5.7%
Xingzheng Saifu Investment	Pre-[**REDACTED**] Investor	3,876,255	4.5%
Zhang Chaoyi (張朝益)	Pre-[**REDACTED**] Investor	3,672,268	4.3%
He Qingfeng (賀慶鳳)	Manager of Nanchang Newtrend	3,291,710	3.8%
Xiuneng Investment	Pre-[**REDACTED**] Investor	1,969,146	2.3%
Yang Haijun (楊海軍)	Pre-[**REDACTED**] Investor	1,851,586	2.2%
Huang Wenzeng (黃文增)	Pre-[**REDACTED**] Investor	1,234,390	1.4%
Chen Yiyuan (陳一元)	Pre-[**REDACTED**] Investor	1,234,390	1.4%
Huang Yanlu (黃妍露)	Pre-[**REDACTED**] Investor	1,175,610	1.4%
Chen Lijun (陳麗君)	Director	1,028,659	1.2%
Xingzheng Saifu No. 1 Investment	Pre-[**REDACTED**] Investor	1,022,121	1.2%
Total		85,645,834	100%

OUR MAJOR OPERATING SUBSIDIARIES

Jiangxi Ansun

On 5 December 2003, Jiangxi Ansun was established in the PRC as a limited liability company with an initial registered capital of RMB500,000 and was held as to 30% by Mr. Wang, 40% by Newtrend Industrial and 30% by an Independent Third Party. In July 2008, Jiangxi Ansun became a direct wholly-owned subsidiary of our Company. Jiangxi Ansun is principally engaged in the production of food-grade glycine.

Newtrend Thailand

On 5 March 2013, Newtrend Thailand was incorporated in Thailand as a limited liability company with an initial registered share capital of THB180,000,000. It is an indirect wholly-owned subsidiary of our Company. Newtrend Thailand is mainly engaged in the sale of sucralose and food-grade glycine.

Xizang Newtrend

On 23 April 2014, Xizang Newtrend was established in the PRC as a limited liability company with an initial registered capital of RMB10,000,000 and was wholly held by Mr. Wang. In July 2017, Xizang Newtrend became a direct wholly-owned subsidiary of our Company. Xizang Newtrend is mainly engaged in production of industrial-grade glycine.

Newtrend Europe

On 10 November 2017, Newtrend Europe was incorporated in the Netherlands as a limited liability company with an initial issued share capital of EUR100,000. Since its incorporation, it has been an indirect wholly-owned subsidiary of our Company. Newtrend Europe is mainly engaged in sale of sucralose and food-grade glycine to Europe market.

Nanchang Newtrend

On 26 June 2017, Nanchang Newtrend was established in the PRC as a limited liability company with an initial registered capital of RMB10,000,000. Since its establishment, it has been a direct wholly-owned subsidiary of our Company. Nanchang Newtrend is mainly engaged in sale of food-grade glycine.

Newtrend Nutrition

On 23 October 2019, Newtrend Nutrition was incorporated in Indonesia as a limited liability company with an initial issued share capital of IDR17,500,000,000. Since its incorporation, it has been an indirect wholly-owned subsidiary of our Company. Newtrend Nutrition is mainly engaged in production of food-grade glycine.

PREVIOUS [REDACTED] PLAN

In view of the growing potential of stock market in the PRC, our Company engaged Orient Securities Investment Banking Co., Ltd.* (東方證券承銷保薦有限公司) ("**Orient Securities**") to act as its tutoring agency, Grandall Law Firm (Shenzhen) as its PRC legal advisers and Pan-China Certified Public Accountants LLP* (天健會計師事務所(特殊普通合夥)) to perform statutory audit services, for the tutoring period in preparation for the share [**REDACTED**] ("**Previous [REDACTED] Plan**"). In July 2023, on behalf of our Company, Orient Securities made a tutoring application filing (輔導備案) with the Jiangxi office of CSRC (中國證券監督管理委員會江西監管局). The purpose of the tutoring application filing was to report to the Jiangxi office of CSRC from time to time in respect of the progress of the preliminary guidance and tutoring services provided by the engaged tutoring agency in accordance with the relevant CSRC's guidelines on our Group's major operational and financial condition, corporate governance and internal control measures. The tutoring application filing did not constitute a [**REDACTED**] with the CSRC.

During the Previous [**REDACTED**] Plan, we did not encounter any disagreements with the professional parties or the CSRC. To further expand our global business and considering that the Stock Exchange would provide us with an international platform to access foreign capital and attract diverse overseas investors, in early 2024, our Company voluntarily decided not to proceed with the Previous [**REDACTED**] Plan and instead considered to pursue the [**REDACTED**] in Hong Kong. In light of this, our Company and Orient Securities agreed to terminate the engagement of Orient Securities as tutoring agency for the Previous [**REDACTED**] Plan and the termination was effective on 12 July 2024. On 12 July 2024, our Company officially withdrew its tutoring application filing from the Jiangxi office of CSRC.

During the preparation of the Previous [**REDACTED**] Plan, the Company has, amongst other things, established an internal control system that generally complies with the requirements imposed on PRC listed companies, and the Company's directors, supervisors and members of the senior management have undergone training on relevant laws and regulations.

As of the Latest Practicable Date, we have neither filed any formal [**REDACTED**] application with any representative office of the CSRC, received any material comments or inquiries from the CSRC, nor left over any outstanding comments or enquiries from the professional parties that had not been satisfactorily addressed or resolved at the time of abortion of the Previous [**REDACTED**] Plan.

Our Directors and the Sole Sponsor confirmed that there are no other matters relating to the Previous [**REDACTED**] Plan that may affect the Company's suitability for [**REDACTED**] on the Stock Exchange or that are required to be brought to the attention of the Stock Exchange and [**REDACTED**].

REASONS FOR THE [REDACTED]

Our Company is seeking a **[REDACTED]** of its H Shares on the Stock Exchange in order to provide further capital for the development and expansion of our Company's business, to strengthen our Company's working capital and to further raise our business profile and global presence. For further details of our future plans, please refer to the section headed "Future plans and **[REDACTED]**" of this document.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

PRE-[REDACTED] INVESTMENTS

Overview

We underwent the following rounds of Pre-**[REDACTED]** Investments, details of which are set forth below.

No.	Subscription method	Date of investment agreement	Date of settlement of consideration (last payment)	Name of subscriber/ investor[1]	Registered capital subscribed for	Amount of consideration	Approximate investment cost per Share[2]	Discount to the H Share [REDACTED][3]
1	Equity transfer from existing shareholders[4]	10 March 2010	31 March 2010	Chen Yiyuan (陳一元)	RMB840,000	RMB4,000,000[10]	RMB[REDACTED]	[REDACTED]%
2	Equity transfer from existing shareholders[4]	10 March 2010	31 March 2010	Huang Wenzeng (黃文增)	RMB840,000	RMB4,000,000[10]	RMB[REDACTED]	[REDACTED]%
3	Equity transfer from existing shareholders[4]	10 March 2010	31 March 2010	Yang Haijun (楊海軍)	RMB1,260,000	RMB6,000,000[10]	RMB[REDACTED]	[REDACTED]%
4	Equity transfer from existing shareholder[5]	28 July 2015	10 July 2015	Guoxin Hongsheng	RMB5,693,333	RMB50,000,000[10]	RMB[REDACTED]	[REDACTED]%
5	Subscription of registered share capital by cash[6]	25 February 2017	30 December 2016	Xingzheng Strategic Venture Xingzheng Saifu Investment Xingzheng Saifu No.1 Investment	RMB6,666,667	RMB56,300,000[10]	RMB[REDACTED]	[REDACTED]%

No.	Subscription method	Date of investment agreement	Date of settlement of consideration (last payment)	Name of subscriber/ investor[1]	Registered capital subscribed for	Amount of consideration	Approximate investment cost per Share[2]	Discount to the H Share [REDACTED][3]
6	Equity transfer from existing shareholders[7]	1 June 2017	5 June 2017	Xiuneng Investment	RMB1,340,000	RMB22,971,428[10]	RMB[REDACTED]	[REDACTED]%
7	Subscription of registered share capital by cash[8]	27 June 2017	27 June 2017	Zhang Chaoyi (張朝益)	RMB2,498,969	RMB63,630,000[10]	RMB[REDACTED]	[REDACTED]%
8	Subscription of registered share capital by cash[8]	27 June 2017	23 May 2017	Huang Yanlu (黃妍露)	RMB800,000	RMB20,370,000[10]	RMB[REDACTED]	[REDACTED]%
9	Equity transfer from existing shareholders[9]	10 July 2017	28 July 2017	Fuxing Investment	RMB3,496,900	RMB90,000,000[10]	RMB[REDACTED]	[REDACTED]%

Notes:

(1) For the details on the Pre-[**REDACTED**] subscribers/investors, please refer to the paragraph headed "Pre-[**REDACTED**] Investments — Information about our Pre-[**REDACTED**] Investors" in this section.

(2) The cost per Share paid by the Pre-[**REDACTED**] Investors was calculated based on the amount of investment made by the relevant Pre-[**REDACTED**] Investor and number of Shares held by him/her/it immediately upon completion of the [**REDACTED**].

(3) The discount to the H Share [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**].

(4) On 10 March 2010, Mr. Wang entered into equity transfer agreements with each of Mr. Chen Yiyuan, Mr. Huang Wenzeng and Mr. Yang Haijun, pursuant to which Mr. Wang agreed to transfer the registered capital of RMB840,000, RMB840,000 and RMB1,260,000 to Mr. Chen Yiyuan, Mr. Huang Wenzheng and Mr. Yang Haijun at a consideration of RMB4,000,000, RMB4,000,000 and RMB6,000,000, respectively.

(5) On 28 July 2015, Guoxin Hongsheng entered into an equity transfer agreement with Newtrend Industrial, pursuant to which Newtrend Industrial agreed to transfer the registered capital of RMB5,693,333 to Guoxin Hongsheng, at a consideration of RMB50,000,000.

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Guoxin Hongsheng, Newtrend Industrial, Mr. Wang and our Company, Newtrend Industrial and Mr. Wang have paid a sum of RMB10,000,000 to Guoxin Honsheng.

(6) On 25 February 2017, Pingtan Xinghang Investment entered into an equity subscription agreement with our Company, pursuant to which Pingtan Xinghang Investment agreed to subscribe for the registered capital of RMB6,666,667 in our Company, at a consideration of RMB56,300,000. On 20 January 2020, with the consent of all its partners, Pingtan Xinghang Investment was dissolved. The equity interests in our Company owned by Pingtan Xinghang Investment were distributed to its then limited partners, namely as to 4,898,377 Shares to Xingzheng Strategic Venture, 3,876,255 Shares to Xingzheng Saifu Investment, and 1,022,121 Shares to Xingzheng Saifu No. 1 Investment. For the details of Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No. 1 Investment, please refer to the paragraph headed "Pre-[**REDACTED**] Investments — Information about our Pre-[**REDACTED**] Investors" in this section.

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Xingzheng Strategic Venture, Xingzheng Saifu Investment, Xingzheng Saifu No.1 Investment, Newtrend Industrial, Mr. Wang and our Company, Newtrend Industrial and Mr. Wang have paid a sum of RMB4,000,000 to Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No.1 Investment.

(7) On 1 June 2017, Xiuneng Investment entered into equity transfer agreements with each of Ms. Chen Lijun, our executive Director, and Ms. Shen Xiaoying (沈小英), a then shareholder of our Company, pursuant to which Ms. Chen and Ms. Shen agreed to transfer the registered capital of RMB500,000 and RMB840,000, respectively, to Xiuneng Investment, at a consideration of RMB8,571,428 and RMB14,400,000.

(8) On 27 June 2017, Mr. Zhang Chaoyi and Ms. Huang Yanlu entered into an equity subscription agreement with our Company, pursuant to which Mr. Zhang and Ms. Huang agreed to subscribe for the registered capital of RMB2,498,969 and RMB800,000 in our Company respectively, at a consideration of RMB63,630,000 and RMB20,370,000.

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Zhang Chaoyi, Mr. Wang, Newtrend Industrial and our Company, Mr. Wang and Newtrend Industrial agreed to pay a sum of RMB11,250,000 to Zhang Chaoyi, with RMB1,500,000 to be settled on the date of such

agreement and the remaining RMB9,750,000 to be settled within one year after the [**REDACTED**]. Pursuant to a supplemental agreement dated 27 June 2024 entered into among Huang Yanlu, Mr. Wang, Newtrend Industrial and our Company, Mr. Wang and Newtrend Industrial agreed to pay a sum of RMB3,750,000 to Huang Yanlu, with RMB500,000 to be settled on the date of such agreement and the remaining RMB3,250,000 to be settled within one year after the [**REDACTED**].

(9) On 10 July 2017, Fuxing Investment entered into an equity transfer agreement with Mr. Wang, pursuant to which Mr. Wang agreed to transfer the registered capital of RMB3,496,900 to Fuxing Investment, at a consideration of RMB90,000,000.

(10) The consideration for each Pre-[**REDACTED**] Investment was determined based on arm's length negotiations amongst the relevant parties after taking into account the timing of the Pre-[**REDACTED**] Investments, the then valuation of our Company and the business prospects of our Company.

The consideration for each Pre-[**REDACTED**] Investment was determined based on arm's length negotiation amongst the respective Pre-[**REDACTED**] Investors and our Group after taking into consideration of the timing of the investments, our valuation when the investment agreement was entered into, the status of our business operations, the financial performance of our Group, and the prospects of our business.

The Shares held by the Pre-[**REDACTED**] Investors are not subject to any lock-up pursuant to the terms of the Pre-[**REDACTED**] Investments. Pursuant to the applicable PRC law, within the 12 months from the [**REDACTED**], all existing Shareholders (including the Pre-[**REDACTED**] Investors) could not dispose of any of the Shares held by them.

We utilised the [**REDACTED**] from the Pre-[**REDACTED**] Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, we have fully utilised the [**REDACTED**] from the Pre-[**REDACTED**] Investments.

At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[**REDACTED**] Investors' investments in our Company and their knowledge and experience, including but not limited to: (i) our Pre-[**REDACTED**] Investors have provided valuable financing that served as additional working capital for our growth, development and innovation; (ii) our Pre-[**REDACTED**] Investors could provide strategic and professional advice, allowing us to streamline our capital and management structure.

Rights of the Pre-[REDACTED] Investors

Some of our Pre-[**REDACTED**] Investors, namely Chen Yiyuan, Huang Wenzeng, Yang Haijun, Guoxin Hongsheng, Xingzheng Strategic Venture, Xingzheng Saifu Investment, Xingzheng Saifu No. 1 Investment, Zhang Chaoyi and Huang Yanlu, were granted certain special rights, including nomination right, veto right in the general meeting and board meeting, right of first refusal, tag-along right, pre-emptive right, anti-dilution right, information right, liquidation preference right, right of most favoured treatment, and redemption right.

Chen Yiyuan, Huang Wenzeng and Yang Haijun

Pursuant to the confirmations signed by Chen Yiyuan, Huang Wenzeng and Yang Haijun on 20 June 2024, all special rights granted to Chen Yiyuan, Huang Wenzeng and Yang Haijun ceased to be effective on the date of such confirmations and each of them will not make any claim in relation to their special rights at any time. Accordingly, all special rights granted to Chen Yiyuan, Huang Wenzeng and Yang Haijun were terminated before the date on which our Company filed the [**REDACTED**].

Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No. 1 Investment ("Xingzheng Parties")

Termination of special rights

On 25 February 2017, the Company entered into an equity subscription agreement with Pingtan Xinghang Investment, pursuant to which Pingtan Xinghang Investment agreed to subscribe for the Company's newly increased registered capital.

Under the said subscription agreement, (1) Mr. Wang and Newtrend Industrial agreed to repurchase all or part of the equity interests of the Company held by Pingtan Xinghang Investment (the "**Redemption Liability**") in the event the Company failed to submit its filing materials for initial [**REDACTED**] on or before 31 December 2017; and (2) the Company provided a guarantee to the Redemption Liability (the "**Financial Guarantee**").

During 2018 to 2021, there had been discussions between the parties on the Redemption Liability. In December 2021, Xingzheng Parties, Mr. Wang, Newtrend Industrial and the Company entered into a share redemption agreement, pursuant to which Mr. Wang and Newtrend Industrial agreed to discharge the Redemption Liability according to a repurchase schedule. It is further agreed that the Redemption Liability would be secured by (i) properties owned by Mr. Wang and Ms. Ding (the "**Pledged Assets**"); and (ii) properties owned by Mr. Wang's son, namely Mr. Wang Hao, and a company controlled by Mr. Wang Hao (the "**Additional Pledged Assets**").

Considering that (1) Mr. Wang was, at all material time, the largest shareholder of the Company; (2) the equity was to be injected into the Company pursuant to the equity subscription agreement in 2017; (3) the Redemption Liability was also secured by the Pledged Assets and the Additional Pledged Assets; and (4) the Financial Guarantee provided further security to Xingzheng Parties as the Company, at all material time, had sufficient liquid assets, stable business operations and cashflow, it is commercially sensible for the Company to provide the Financial Guarantee to Mr. Wang on the Redemption Liability given that the Company will remain as a private company if the [**REDACTED**] does not take place.

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Xingzheng Parties, Mr. Wang, Newtrend Industrial and our Company ("**Xingzheng Supplemental Agreement**"), all of the special rights granted to Xingzheng Parties will be automatically terminated upon [**REDACTED**]. The Redemption Liability and the

Financial Guarantee have been terminated along with the repurchase right on the date of the first submission of the [**REDACTED**], and may be reinstated upon the earliest of (i) the [**REDACTED**] being withdrawn by our Company; (ii) the [**REDACTED**] being rejected by the Stock Exchange; (iii) the failure to consummate the [**REDACTED**] by 30 June 2025; or (iv) the failure to complete the CSRC filing by 30 June 2025.

Right to guaranteed return granted to Xingzheng Parties

Pursuant to the Xingzheng Supplemental Agreement, Xingzheng Parties shall be granted a right to guaranteed return (the "**Xingzheng Guaranteed Return**"), which is a fixed sum calculated with reference to, among others, the remaining investment amount, dividend and a return rate until 30 June 2024. The Xingzheng Guaranteed Return represents an annualised return on investment of approximately 4.8% for a period from 25 February 2017 to 30 June 2024. Such rate is to be calculated based on the initial investment costs of RMB56,300,000. The Xingzheng Guaranteed Return is not determined based on a discount to the [**REDACTED**] price or [**REDACTED**] at [**REDACTED**].

If, in a sale of part or all of the Shares held by Xingzheng Parties, there is a discrepancy between the actual return from the sale of such Shares (as adjusted for any repurchase amount historically paid and any share dividends to be or historically distributed) and the Xingzheng Guaranteed Return, Mr. Wang and Newtrend Industrial, or Xingzheng Parties, shall pay the other party any such shortfall or excess of proceeds in cash to achieve the Xingzheng Guaranteed Return with respect to such Shares. This is provided that where Mr. Wang and Newtrend Industrial could, on substantially similar terms, secure an alternative offer for the purchase of such Shares at the same price or a higher price, Xingzheng Parties must take such offer.

The repurchase right and right to guaranteed return do not constitute financial liabilities to the Company as they are private arrangements between the Controlling Shareholders and Xingzheng Parties, and the Company is not obligated to repurchase or settle the relevant amounts.

Guoxin Hongsheng

Termination of special rights

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Guoxin Hongsheng, Mr. Wang, Newtrend Industrial and our Company ("**Guoxin Supplemental Agreement**"), all of the special rights granted to Guoxin Hongsheng will be automatically terminated upon [**REDACTED**], save for the repurchase right which was terminated on the date of the first submission of the [**REDACTED**], and may be reinstated in the event that our Company fails to consummate the [**REDACTED**] due to, including but not limited to, (i) the [**REDACTED**] being withdrawn; (ii) the [**REDACTED**] being rejected; (iii) the [**REDACTED**] being returned; (iv) the [**REDACTED**] having lapsed; (v) the failure to obtain an approval for the [**REDACTED**] from the Stock Exchange and/or the CSRC and consummate the [**REDACTED**] by 31 December 2025; or (vi) the failure to complete the CSRC filing.

Right to guaranteed return granted to Guoxin Hongsheng

Pursuant to the Guoxin Supplemental Agreement, Guoxin Hongsheng shall be granted a right to guaranteed return (the "**Guoxin Guaranteed Return**"), which is a fixed sum calculated with reference to, among others, the remaining investment amount, dividend and a return rate until 30 June 2024. The Guoxin Guaranteed Return represents an annualised return on investment of approximately 3.9% for a period from 28 July 2015 to 30 June 2024. Such rate is to be calculated based on the initial investment costs of RMB50,000,000. The Guoxin Guaranteed Return is not determined based on a discount to the [**REDACTED**] price or [**REDACTED**] at [**REDACTED**].

If, in a sale of part or all of the Shares held by Guoxin Hongsheng, there is a discrepancy between the actual return from the sale of such Shares (as adjusted for any share dividends to be or historically distributed) and the Guoxin Guaranteed Return, Mr. Wang and Newtrend Industrial, or Guoxin Hongsheng, shall pay the other party any such shortfall or excess of proceeds in cash to achieve the Guoxin Guaranteed Return with respect to such Shares. This is provided that where Mr. Wang or Newtrend Industrial could, on substantially similar terms, secure an alternative offer for the purchase of such Shares at the same price or a higher price, Guoxin Hongsheng must take such offer.

The repurchase right and right to guaranteed return do not constitute financial liabilities to the Company as they are private arrangements between the Controlling Shareholders and Guoxin Hongsheng, and the Company is not obligated to repurchase or settle the relevant amounts.

Zhang Chaoyi and Huang Yanlu

Repurchase right granted to Zhang Chaoyi and Huang Yanlu

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Zhang Chaoyi, Mr. Wang, Newtrend Industrial and our Company ("**Zhang Supplemental Agreement**") and a supplemental agreement dated 27 June 2024 entered into among Huang Yanlu, Mr. Wang, Newtrend Industrial and our Company ("**Huang Supplemental Agreement**"), Zhang Chaoyi and Huang Yanlu are each granted a repurchase right which may be exercisable in the event that (i) the [**REDACTED**] is being withdrawn; (ii) the [**REDACTED**] is being rejected by the Stock Exchange; (iii) the Company fails to complete the filing with the CSRC; or (iv) the Company fails to consummate the [**REDACTED**] by 30 June 2025.

Right to guaranteed return granted to Zhang Chaoyi and Huang Yanlu

Pursuant to the Zhang Supplemental Agreement and the Huang Supplemental Agreement, each of Zhang Chaoyi and Huang Yanlu shall be granted a right to guaranteed return (the "**Zhang Guaranteed Return**" and "**Huang Guaranteed Return**"), which are fixed sums calculated with reference to, among others, the remaining investment amount, dividend and a return rate until 30 June 2024. The Zhang Guaranteed Return and Huang Guaranteed Return represent annualised returns on investment of approximately 5.0% and 5.1%, respectively, for a period from 27 June 2017 to 30 June 2024. Such rates are to be

calculated based on the initial investment costs of RMB63,630,000 and RMB20,370,000, respectively. Additionally, Mr. Wang and Newtrend Industrial will pay a fixed sum to each of Zhang Chaoyi and Huang Yanlu within one year from the [**REDACTED**]. The Zhang Guaranteed Return and the Huang Guaranteed Return are not determined based on a discount to the [**REDACTED**] price or [**REDACTED**] at [**REDACTED**].

If, in a sale of part or all of the Shares held by Zhang Chaoyi or Huang Yanlu, there is a discrepancy between the actual return from the sale of such Shares (as adjusted for any share dividends to be or historically distributed) and the Zhang Guaranteed Return or Huang Guaranteed Return (as the case may be), Mr. Wang and Newtrend Industrial, or Zhang Chaoyi or Huang Yanlu (as the case may be), shall pay the other party any such shortfall or excess of proceeds in cash to achieve the Zhang Guaranteed Return or Huang Guaranteed Return (as the case may be) with respect to such Shares. This is provided that where Mr. Wang and Newtrend Industrial could, on substantially similar terms, secure an alternative offer for the purchase of such Shares at the same price or a higher price, Zhang Chaoyi or Huang Yanlu must take such offer.

Save for the repurchase right and right to guaranteed return, no other special rights are granted to Zhang Chaoyi and Huang Yanlu. The repurchase right and right to guaranteed return do not constitute financial liabilities to the Company as they are private arrangements between the Controlling Shareholders and Zhang Chaoyi and Huang Yanlu, respectively, and the Company is not obligated to repurchase or settle the relevant amounts.

Directors' and Sole Sponsor's confirmations

Xingzheng Guaranteed Return, Guoxin Guaranteed Return, Zhang Guaranteed Return and Huang Guaranteed Return ("**Guaranteed Returns**") are private arrangements made by our Controlling Shareholders with Xingzheng Parties, Guoxin Hongsheng, Zhang Chaoyi and Huang Yanlu, respectively. Our Company is not liable to Xingzheng Parties, Guoxin Hongsheng, Zhang Chaoyi or Huang Yanlu under such arrangements. Further, the Guaranteed Returns are based on historical investment amounts and a fixed amount of returns, which do not link to the [**REDACTED**] or our Company's [**REDACTED**] upon or after [**REDACTED**]. Our Directors are therefore of the view, and the Sole Sponsor concurs, that the Guaranteed Returns are in compliance with the guidance as defined in Chapter 4.2 under the Guide for New Listing Applicants.

Further, on the basis that (i) the consideration for the Pre-[**REDACTED**] Investments was settled more than 28 clear days before the first filing of the [**REDACTED**] by our Company with the Stock Exchange; and (ii) save for disclosed above, all the special rights granted to the Pre-[**REDACTED**] Investors were terminated upon [**REDACTED**], the Sole Sponsor confirmed that the Pre-[**REDACTED**] Investments are in compliance with the guidance as defined in Chapter 4.2 under the Guide for New Listing Applicants.

Information about our Pre-[REDACTED] Investors

The background information of our Pre-[**REDACTED**] Investors is set out below.

Mr. Chen Yiyuan

Mr. Chen Yiyuan is the director of Zhejiang Yuandesen Technology Co., Ltd. * (浙江元德森科技有限公司), a company established in the PRC and principally engaged in technology services and development, wholesale and retail of computer software and hardware, and information technology consultancy. Mr. Chen became acquainted with our Group through Mr. Wang and decided to invest in our Group as he was optimistic in our growth potential and future prospect. To the best of our Directors' knowledge, Mr. Chen is an Independent Third Party.

Mr. Huang Wenzeng

Mr. Huang Wenzeng is the executive director and general manager of Xiamen Sea West Coast Investment and Development Co., Ltd. * (廈門海西岸投資發展有限公司), a company established in the PRC and principally engaged in investments in infrastructure, real estate, tourism facilities and agriculture. Mr. Huang became acquainted with our Group through Mr. Wang and decided to invest in our Group as he was optimistic in our growth potential and future prospect. To the best of our Directors' knowledge, Mr. Huang is an Independent Third Party.

Mr. Yang Haijun

Mr. Yang Haijun is a supervisor of Tianhong Asset Management Co., Ltd.* (天弘基金管理有限公司), a company established in the PRC and principally engaged in fund raising, fund sales and asset management. Mr. Yang became acquainted with our Group through Mr. Wang and decided to invest in our Group as he was optimistic in our growth potential and future prospect. To the best of our Directors' knowledge, Mr. Yang is an Independent Third Party.

Guoxin Hongsheng

Guoxin Hongsheng is a limited partnership established in the PRC on 2 July 2013. It is a private equity fund principally engaged in investments in high-end manufacturing, new energy, biopharmacy, modern services, culture and media, and fintech in the PRC. The general partner of Guoxin Hongsheng is Shenzhen Taisheng Investment Management Enterprise (Limited Partnership)* (深圳市泰盛投資管理企業(有限合夥)), the general partner of which is Shenzhen Taisheng Junhe Investment Management Co., Ltd.* (深圳市泰盛君合投資管理有限公司) ("**Taisheng Junhe**"). Taisheng Junhe is directly held by Mr. Long Yong (龍涌) as to 65.40% and Mr. Huang Hui (黃暉) as to 34.60%, each an Independent Third Party. Guoxin Hongsheng has nine limited partners, which are all Independent Third Parties, and none of the limited partners holds 30% or more of partnership interests.

Xingzheng Strategic Venture

Xingzheng Strategic Venture is a limited partnership established in the PRC on 9 June 2013. It is a private equity fund principally engaged in venture capital management and consultancy in the PRC. The general partner of Xingzheng Strategic Venture is Industrial Capital Management Co., Ltd.* (興証創新資本管理有限公司) ("**Industrial Capital Management**"), which is wholly owned by Industrial Securities Co., Ltd.* (興業證券股份有限公司), whose largest shareholder is Fujian Provincial Department of Finance (福建省財政廳), an Independent Third Party, holding 20.49% of its equity interests. Xingzheng Strategic Venture has 11 limited partners which are all Independent Third Parties, and none of the limited partners holds 30% or more of partnership interests.

Xingzheng Saifu Investment

Xingzheng Saifu Investment is a limited partnership established in the PRC on 4 March 2016. It is a private equity fund principally engaged in equity investment and consulting services. The general partner of Xingzheng Saifu Investment is Industrial Capital Management. Xingzheng Saifu Investment has 49 limited partners which are all Independent Third Parties, and none of the limited partners holds 30% or more of partnership interests.

Xingzheng Saifu No. 1 Investment

Xingzheng Saifu No. 1 Investment is a limited partnership established in the PRC on 4 March 2016. It is a private equity fund principally engaged in equity investment and consulting services. The general partner of Xingzheng Saifu No. 1 Investment is Industrial Capital Management. Xingzheng Saifu No. 1 Investment has 20 limited partners which are all Independent Third Parties, and none of the limited partners holds 30% or more of partnership interests.

Xiuneng Investment

Xiuneng Investment is a limited partnership established in the PRC on 28 February 2017. It is a private equity fund principally engaged in equity investment and consulting services. The partnership interests of Xiuneng Investment are held as to approximately 56.5% by its general partner, Shenzhen Xiuneng Capital Management Co., Ltd.* (深圳修能資本管理有限公司) ("**Xiuneng Capital Management**") and approximately 43.5% by its limited partner, Mr. Xiong Zhengping (熊政平), each an Independent Third Party. Xiuneng Capital Management is directly held by Mr. Xiong Zhengping (熊政平) as to approximately 39.4%, being the only shareholder who holds 30% or more of the equity interests of Xiuneng Capital Management.

Mr. Zhang Chaoyi

Mr. Zhang Chaoyi is an executive director and the general manager of Chengdu Feist New Material Co., Ltd.* (成都菲斯特新材料有限公司), a company established in the PRC and principally engaged in research and development of new material technology, sale and manufacturing of plastic products and synthetic materials. Mr. Zhang became acquainted with our Group through Mr. Wang and decided to invest in our Group as he was optimistic in our growth potential and future prospect. To the best of our Directors' knowledge, Mr. Zhang is an Independent Third Party.

Ms. Huang Yanlu

Ms. Huang Yanlu is an individual investor. Ms. Huang became acquainted with our Group through Mr. Wang and decided to invest in our Group as she was optimistic in our growth potential and future prospect. To the best of our Directors' knowledge, Ms. Huang is an Independent Third Party.

Fuxing Investment

Fuxing Investment is a limited partnership established in the PRC on 6 July 2017. It is principally engaged in equity investment, investment advisory services and project investment. The general partner of Fuxing Investment is Ms. Chen Lin (陳琳), who serves as the supervisor of Newtrend Health and holds approximately 0.3% of the partnership interests of Fuxing Investment. The limited partner of Fuxing Investment is Guangzhou Linghui Investment Co., Ltd.* (廣州領匯投資有限公司) ("**Guangzhou Linghui**"), which holds approximately 99.7% of the partnership interests. Guangzhou Linghui is wholly owned by Mr. Wei Chaozhong (危潮忠), an Independent Third Party.

PUBLIC FLOAT

To the best of the Directors' knowledge, among all the Pre-[**REDACTED**] Investors and existing Shareholders, the following shareholders are not core connected persons of our Company: Guoxin Hongsheng, Mr. Zhang Chaoyi, Ms. He Qingfeng, Xiuneng Investment, Mr. Yang Haijun, Mr. Huang Wenzeng, Mr. Chen Yiyuan and Ms. Huang Yanlu, which hold [**REDACTED**] Domestic Shares with nominal value of RMB1.00 each in total, representing approximately [**REDACTED**]% of the total issued Shares of our Company upon completion of the [**REDACTED**] and assuming no exercise of the [**REDACTED**]. All of such Domestic Shares will be converted into H Shares upon completion of the [**REDACTED**]. As a result, taking into account of such conversion and the H Shares to be issued for the [**REDACTED**], an aggregate of [**REDACTED**] H Shares will count towards the public float of our Company upon completion of the [**REDACTED**], representing [**REDACTED**]% of the total issued Shares of our Company upon completion of the [**REDACTED**] and assuming no exercise of the [**REDACTED**].

Xingzheng Parties collectively hold [**REDACTED**] Domestic Shares with nominal value of RMB1.00 each in total, representing approximately [**REDACTED**]% of the total issued Shares of our Company upon completion of the [**REDACTED**] and assuming no exercise of the [**REDACTED**]. All of such Domestic Shares will be converted into H Shares upon completion of the [**REDACTED**]. Industrial Capital Management, as the sole general partner of Xingzheng Parties, is deemed to be interested in the Shares held by Xingzheng Parties and thus deemed to be a core connected person of our Company. As a result, taking into account of such conversion and the H Shares to be issued for the [**REDACTED**], the [**REDACTED**] H Shares held by Xingzheng Parties will not count towards the public float of our Company upon completion of the [**REDACTED**].

CAPITALISATION OF OUR COMPANY

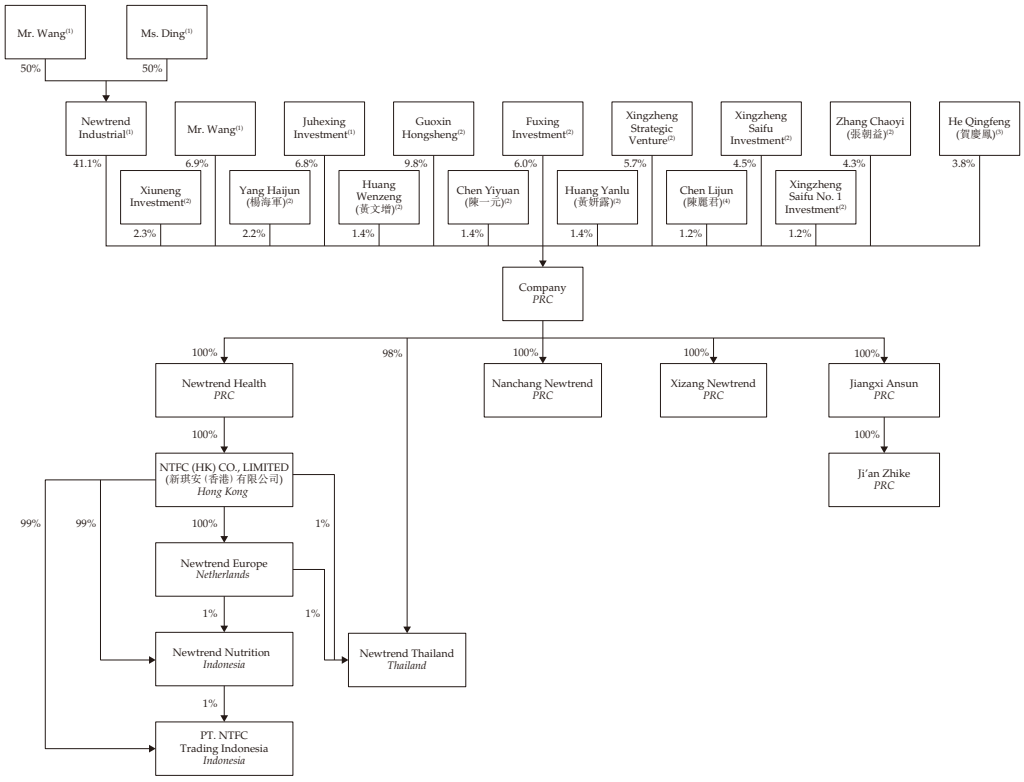
Following completion of the **[REDACTED]** and the conversion of our Domestic Shares into H Shares, assuming the **[REDACTED]** is not exercised, our Domestic Shares and H Shares that will be held by each of our existing Shareholders are set forth as below:

Name of Shareholders	Number of Shares upon [REDACTED]	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of our Company upon completion of the [REDACTED]	Approximate percentage of shareholding in our Domestic Shares/H Shares upon completion of the [REDACTED]
Shareholders holding Domestic Shares upon [REDACTED]				
Newtrend Industrial	[REDACTED]	41.1%	[REDACTED]%	[REDACTED]%
Mr. Wang	[REDACTED]	6.9%	[REDACTED]%	[REDACTED]%
Subtotal	[REDACTED]	48.0%	[REDACTED]%	[REDACTED]%
Shareholders holding H Shares upon [REDACTED]				
Guoxin Hongsheng	[REDACTED]	9.8%	[REDACTED]%	[REDACTED]%
Juhexing Investment	[REDACTED]	6.8%	[REDACTED]%	[REDACTED]%
Fuxing Investment	[REDACTED]	6.0%	[REDACTED]%	[REDACTED]%
Xingzheng Strategic Venture	[REDACTED]	5.7%	[REDACTED]%	[REDACTED]%
Xingzheng Saifu Investment	[REDACTED]	4.5%	[REDACTED]%	[REDACTED]%
Zhang Chaoyi	[REDACTED]	4.3%	[REDACTED]%	[REDACTED]%
He Qingfeng	[REDACTED]	3.8%	[REDACTED]%	[REDACTED]%
Xiuneng Investment	[REDACTED]	2.3%	[REDACTED]%	[REDACTED]%
Yang Haijun	[REDACTED]	2.2%	[REDACTED]%	[REDACTED]%
Chen Yiyuan	[REDACTED]	1.4%	[REDACTED]%	[REDACTED]%
Huang Wenzeng	[REDACTED]	1.4%	[REDACTED]%	[REDACTED]%
Huang Yanlu	[REDACTED]	1.4%	[REDACTED]%	[REDACTED]%
Chen Lijun	[REDACTED]	1.2%	[REDACTED]%	[REDACTED]%
Xingzheng Saifu No.1 Investment	[REDACTED]	1.2%	[REDACTED]%	[REDACTED]%
[REDACTED] taking part in the **[REDACTED]**	[REDACTED]	–	[REDACTED]%	[REDACTED]%
Subtotal	[REDACTED]	52.0%	[REDACTED]%	[REDACTED]%
Total	[REDACTED]	100.0%	[REDACTED]%	[REDACTED]

CORPORATE STRUCTURE

Corporate structure immediately prior to the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately before completion of the [**REDACTED**]:



Notes:

(1) Mr. Wang, Ms. Ding, Newtrend Industrial and Juhexing Investment are a group of our Controlling Shareholders. As of the Latest Practicable Date, the partnership interests of Juhexing Investment were owned as to approximately (i) 73.9% by Ms. Ding as its sole general partner; and (ii) 26.1% by 18 limited partners collectively. The 18 limited partners of Juhexing Investment are employees or former employees of our Group, among which 7 limited partners are connected persons of our Group, while the other 11 limited partners, to the best of our Directors' knowledge, are Independent Third Parties. Please refer to the section headed "Relationship with our Controlling Shareholders" of this document for further details.

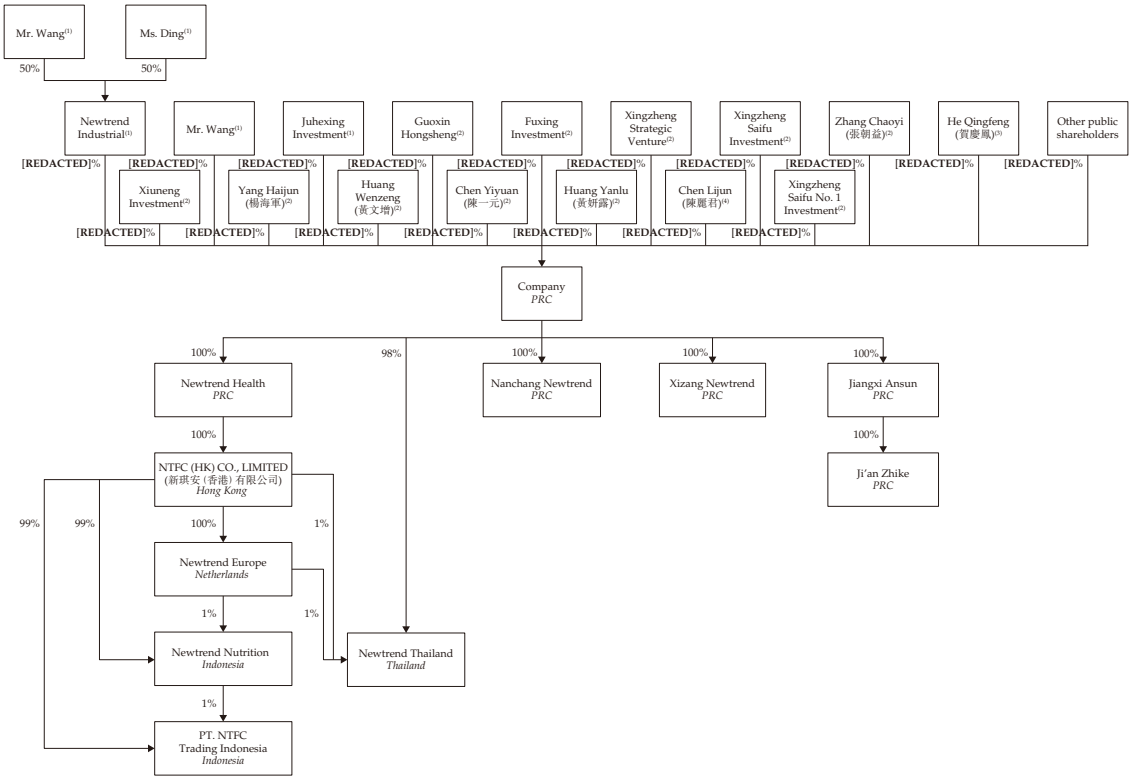
(2) Please refer to the paragraph headed "Pre-[**REDACTED**] Investments — Information about our Pre-[**REDACTED**] Investors" in this section for further details.

(3) Ms. He Qingfeng is Mr. Wang's sister-in-law and also the manager of Nanchang Newtrend. According to an equity subscription agreement entered into among others, by Mr. Wang, Newtrend Industrial and Ms. He Qingfeng on 30 June 2009, Ms. He agreed to subscribe for the registered capital of RMB1,470,000 in our Company at a consideration of RMB2,940,000.

(4) According to an equity subscription agreement entered into among others, by Mr. Wang, Newtrend Industrial and Ms. Chen Lijun on 30 June 2009, Ms. Chen agreed to subscribe for the registered capital of RMB1,400,000 in our Company at a consideration of RMB2,800,000.

Corporate structure immediately following completion of the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately following completion of the [**REDACTED**] (assuming no exercise of the [**REDACTED**]):



Notes:

(1)-(4) See the details contained in the preceding page.

OVERVIEW

We are a food-grade glycine and sucralose manufacturer with over 20 years of history.

We ranked (i) first in the global food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023; and (ii) fifth in the global sucralose manufacturing industry in terms of sales volume and sales revenue in 2023. With respect to food-grade glycine, our global market share were approximately 5.1% and 3.1% in terms of sales volume and sales revenue in 2023, respectively. With respect to sucralose, our global market share was approximately 4.8% and 4.5% in terms of sales volume and sales revenue in 2023, respectively. In 2023, food-grade glycine and sucralose accounted for approximately 0.31% and 0.03% in the global food additives market in terms of sales volume.

We have a diversified customer base across the world with over 150 customers in each year during the Track Record Period from a wide-range of industries. Among which included reputable multinational corporations such as our (i) American Beverage Customer, a world-renowned multinational corporation manufacturing one of the world's most popular carbonated beverages; (ii) Swiss Food and Beverage Customer, a world-famous multinational corporation which is famous for its branded coffee, chocolate and cereals; (iii) American Oral Care Products Customer, one of the world's largest oral care products manufacturers; (iv) American Confectionery Customer, a globally-leading confectionery manufacturer; and (v) American Snacks Customer, a top snacks manufacturer in the world. Certain of these reputable multinational corporations have approximately 10 to 20 years of business relationship with our Group.

The following table sets out our revenue breakdown by product type during the Track Record Period:

	For the year ended 31 December					
	2022		2023		2024	
	Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Glycine						
– Food-grade	308,931	40.6	179,418	40.1	239,005	42.0
– Industrial-grade	58,098	7.6	27,233	6.1	66,371	11.7
Sub-total	367,029	48.2	206,651	46.2	305,376	53.7
Sucralose	377,424	49.6	228,286	51.1	237,471	41.8
Others*(Note)*	17,046	2.2	12,001	2.7	26,020	4.5
Total	761,499	100.0	446,938	100.0	568,867	100.0

Note: Others mainly include (i) our Group's by-products produced during our production process, such as sulfite and ammonium chloride; and (ii) our other products, such as mogroside (羅漢果甜苷), carrageenan and agar powder.

We have established an international supply chain service system. As at the Latest Practicable Date, we had five production plants located in the PRC, Indonesia and Thailand. According to the CIC Report, we were the only PRC food-grade glycine manufacturer and the only PRC sucralose manufacturer with overseas production plant among the top five PRC food-grade glycine manufacturers and the top five PRC sucralose manufacturers as at 31 December 2024.

The table below sets out further information on our production plants as at the Latest Practicable Date:

	In the PRC			Indonesia	Thailand
	Ji'an Plant	**Yujiang Plant**	**Xizang Plant**	**Indonesia Plant**	**Thailand Plant**
Principal products produced	Sucralose	Food-grade glycine	Industrial-grade glycine (During the Track Record Period, over 50% of industrial-grade glycine produced was supplied to Yujiang Plant as raw materials for the production of food-grade glycine)	Food-grade glycine	Sucralose
Main targeted sales regions	The PRC and overseas markets	The PRC and overseas markets (except the United States)	The PRC	The United States and Europe	Overseas markets
Average selling price of principal products produced in each year during the Track Record Period	From approximately RMB127,945 per ton to RMB316,871 per ton	From approximately RMB12,670 per ton to RMB32,152 per ton	From approximately RMB9,890 per ton to RMB21,850 per ton	From approximately RMB32,379 per ton to RMB42,975 per ton	We commenced sale of sucralose produced in our Thailand Plant in the second half of 2024. The average selling price for the year ended 31 December 2024 was approximately RMB317,932 per ton

We have also developed a global sales network. During the Track Record Period, we sold our products to customers located in around 40 countries across 6 continents. The map below shows locations of our customers and our production plants during the Track Record Period:

The following table sets out our revenue breakdown by geographical regions during the Track Record Period:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Europe	244,599	32.1	163,297	36.5	119,182	20.9
North America	70,672	9.3	82,133	18.4	233,786	41.1
Asia (excluding Mainland China)	97,912	12.9	69,988	15.7	55,149	9.7
Mainland China	131,945	17.3	67,253	15.0	116,445	20.5
South America	102,038	13.4	37,687	8.4	28,509	5.0
Africa	95,433	12.5	20,445	4.6	8,910	1.6
Oceania	18,900	2.5	6,135	1.4	6,886	1.2
Total	761,499	100.0	446,938	100.0	568,867	100.0

In recognition of our product development and R&D capabilities, we have been recognised as a High-tech Enterprise (高新技術企業) for 18 years since 2009. Leveraging on our product development and R&D capabilities, we strive to construct a sustainable and eco-friendly production environment by enhancing the energy efficiency in our production process. In acknowledgement of our achievement in reducing carbon footprints, we are recognised as a Green and Low Carbon Enterprise* with AAA credit rating (綠色低碳信用評價AAA級企業). We also commit to develop products which align with the industry trends and demand of the customers. In particular, we had various products in the pipeline as at the Latest Practicable Date such as curcumin, isomalt and seaweed dietary fibre which are natural ingredients to align with the industry trends. As at the Latest Practicable Date, we obtained 38 patents in the PRC, including patents of our invention in improving energy efficiency in our production process and our innovation in developing new production methods.

During the Track Record Period, we were principally engaged in the manufacturing and sale of glycine and sucralose. Our customers mainly include manufacturers, including but not limited to manufacturers in the industries of food and beverages, pet food, daily consumer goods, confectionery and snacks, nutritional supplements and chemical products, which use our products as raw materials for the production of their own products.

The following table sets out our revenue breakdown by customer type during the Track Record Period:

	For the year ended 31 December					
	2022		2023		2024	
	Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturers	478,129	62.8	263,487	59.0	236,887	41.6
Designated Wholesalers	118,768	15.6	41,187	9.2	37,484	6.6
Other Wholesalers	164,602	21.6	142,264	31.8	294,496	51.8
Total	761,499	100.0	446,938	100.0	568,867	100.0

OUR STRENGTHS

We believe that the following principal strengths are crucial to our success and essential for our future growth:

We ranked (i) first in the global food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023; and (ii) fifth in the global and sucralose manufacturing industry in terms of sales volume and sales revenue in 2023, with over 20 years of history.

We ranked (i) first in the global food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023; and (ii) fifth in the global sucralose manufacturing industry in terms of sales volume and sales revenue in 2023, with over 20 years of history. With respect to food-grade glycine, our global market share was approximately 5.1% and 3.1% in terms of sales volume and sales revenue in 2023, respectively; we also ranked first in the PRC food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023, with market share of approximately 14.6% and 15.3%.

Apart from our favourable position in the global food-grade glycine manufacturing industry, in terms of sales volume and sales revenue for 2023, our global sucralose market share was approximately 4.8% and 4.5% according to the CIC Report. In the PRC, we ranked fourth in the sucralose manufacturing industry in terms of sales volume and sales revenue for 2023, with market share of approximately 5.7% and 7.5%. In 2023, food-grade glycine and sucralose accounted for approximately 0.31% and 0.03% in the global food additives market in terms of sales volume. Our Directors believe that our favourable position in the industry is reflected in our outstanding global and domestic rankings and market share.

We strive to continue to solidify our favourable position and market share in the industry and take advantage of the rapidly growing demand for glycine and sucralose in the global market. According to the CIC Report, in terms of sales volume, (i) the global glycine market size reached 850.0 thousand tons in 2023, with a CAGR of 3.0% from 2018 to 2023, and the market size is expected to increase to 1,048.7 thousand tons by 2028, with an expected CAGR from 2023 to 2028 of 4.3%; and (ii) the global sucralose market size reached 20.0 thousand tons in 2023, with a CAGR of 7.5% from 2018 to 2023, and the market size is expected to increase to 29.1 thousand tons by 2028, with an expected CAGR from 2023 to 2028 of 7.8%. In particular, according to the CIC Report, the sales volume of glycine produced in the PRC increased from 403.5 thousand tons in 2018 to 456.0 thousand tons in 2023, with a CAGR of 2.5%, and is expected to reach 581.4 thousand tons in 2028, with an expected CAGR of 5.0%, while the sales volume of sucralose produced in the PRC increased from 6.9 thousand tons in 2018 to 16.8 thousand tons in 2023, with a CAGR of 19.5%, and is expected to reach 25.6 thousand tons in 2028, with an expected CAGR of 8.8%.

Leveraging on our favourable position in the industry, we believe that we have the capability, experience, resources, and competitive strengths to capitalise the growth in the glycine and sucralose markets to further expand our market share. With the positive industry outlook and market trend, our Directors believe that demand for glycine and sucralose, will continue to increase.

We have a diversified customer base.

Since our establishment in 2003, after years of dedicated cooperation and development, we have accumulated long-standing business relationships with our customers from all over the world. During the Track Record Period, our diversified customer base comprised over 150 customers in each year during the Track Record Period from a wide-range of industries, such as food and beverage, pet food, daily consumer goods, confectionery and snacks, nutritional supplements and chemical products, and our customers were located in around 40 countries, such as the PRC, Japan, Korea, the United States, Spain, Germany, France, the United Kingdom, the Netherlands, Australia, Brazil and Argentina.

During the Track Record Period, our customers included reputable multinational corporations such as our (i) American Beverage Customer, a world-renowned multinational corporation manufacturing one of the world's most popular carbonated beverages; (ii) Swiss Food and Beverage Customer, a world-famous multinational corporation which is famous for its branded coffee, chocolate and cereals; (iii) American Oral Care Products Customer, one of the world's largest oral care products manufacturers; (iv) American Confectionery Customer, a globally-leading confectionery manufacturer; and (v) American Snacks Customer, a top snacks manufacturer in the world. Certain of these reputable multinational corporations have approximately 10 to 20 years of business relationship with our Group. We believe that our long-term and stable relationship with our customers is the recognition of our capabilities in providing stable and high-quality products with comprehensive supply chain services. In particular, we received different awards and recognitions from our customers, further demonstrating customers' recognition in our performance. For example, we were recognised as Supplier of the Year

by our American Confectionery Customer and we obtained the FBI Foreign Body Prevention Initiative — Best Achievement Award from our Swiss Food and Beverage Customer. Please refer to the paragraph headed "Awards and recognitions" in this section below for further details.

Our Directors believe that we have successfully established a solid and stable customer base with high customers' stickiness due to our commitment to provide high-quality products with excellent services in a sustainable production environment. Our manufacturer customers which hold a leading position in the industry have high standards and stringent criteria in selecting their suppliers. Their suppliers are expected to provide stable and high-quality products with timely and reliable delivery. These customers are unlikely to switch their suppliers, considering the high switching cost and the immense hurdles in establishing long-lasting and credible relationship. They also exercise caution in selecting suppliers to avoid the incurrence of high replacement costs.

Due to our long history with our loyal customers, we believe that we have the competitive edge to better satisfy or even exceed their expectations compared to other market players due to our accumulated knowledge of such customers. It is also less costly to spend sales and marketing effort with these loyal customers as they have already built up trust and confidence in our products and services. Moreover, leveraging on our product development and R&D capabilities, we are confident that we are able to satisfy customers' changing demand and requests by enhancing our production methods and products.

We believe that our notable customers enable us to grow in scale and build up recognition in the industry to attract new customers. Leveraging on our stable and long-term relationships with our customers, we believe that our solid and diversified customer base will be ever-growing.

We have established an international supply chain service system.

As at the Latest Practicable Date, we had five production plants located in the PRC, Thailand and Indonesia. According to the CIC Report, we were the only PRC food-grade glycine manufacturer and the only PRC sucralose manufacturer with overseas production plant among the top five PRC food-grade glycine manufacturers and the top five PRC sucralose manufacturers as at 31 December 2024. We possess a comprehensive warehouse and sales network with warehouses in the PRC, Thailand and Indonesia, serving customers all over the world.

Global trade policies, trade restriction orders and sanctions in recent years have posed challenges for PRC companies. On 1 February 2025 and 3 March 2025, the US government introduced the US 2025 IEEPA Tariff on goods from various countries including the PRC, where all goods exported from the PRC to the US would be subject to an additional 20% tariff in total, with a few exceptions. On 2 April 2025, 8 April 2025, 9 April 2025 and 12 May 2025, the US government introduced the US Reciprocal Tariff on goods from various countries including the PRC, Indonesia and Thailand, where all goods exported to the US from (i) the PRC would be subject to an additional 34% tariff (paused for 90 days and subject to a 10% tariff instead from 14 May 2025); (ii) Indonesia would be

subject to an additional 32% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025); and (iii) Thailand would be subject to an additional 36% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025), with a few exceptions (including sucralose, which is not subject to any reciprocal tariff as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025). Accordingly, PRC manufacturers with overseas factories and sales network possess the capability of mitigating risks in the global market and maintaining more stable business operations compared with other PRC manufacturers with only domestic factories. With our international supply chain service system comprising overseas productions plants, warehouses and sales network, we are confident that we have the competitive edge in serving overseas customers by reducing risks brought by geopolitical conflicts and trade barriers.

As advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from the PRC to the US is subject to the General Glycine Tariff and the Additional Glycine Tariff. Subsequent to the Track Record Period and as at the Latest Practicable Date, in addition to the General Glycine Tariff and the Additional Glycine Tariff, glycine exported from the PRC to the US is further subject to the US 2025 IEEPA Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%). For further details, please refer to the section headed "Regulatory overview — U.S. laws and regulations" in this document. In order to diversify the risk brought by extra duty imposed by the United States, we produced food-grade glycine in our Indonesia Plant and export our food-grade glycine to our customers in the United States from Indonesia. In great contrast, as advised by our legal advisers as to anti-dumping law, glycine exported from Indonesia to the US is only subject to the General Glycine Tariff during the Track Record Period, and only subject to the General Glycine Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) subsequent to the Track Record Period and as at the Latest Practicable Date, which is applicable to our food-grade glycine exported from Indonesia to the United States. This has demonstrated our competitive edge in diversifying risks brought by geopolitical conflicts and trade barriers.

Our overseas production plants have also provided us with a competitive advantage in selling sucralose and food-grade glycine at a generally higher average selling price.

As advised by CIC, as a supply chain diversification strategy, international manufacturer customers tend to diversify their locations of supply by resource distribution and by jurisdiction areas to ensure more resilience and agility in their business. Given that China has become the main producer of sucralose in terms of sales volume, accounting for over 80% of the overall global sales volume in 2023, and is expected to reach close to 90% by 2028, it is crucial for international manufacturer customers to procure sucralose from manufacturers outside of China to avoid reliance on supply in one location, so as to mitigate the risk of tariffs and international trade policies, and to ensure the stability of supply. Accordingly, with the limited supply of sucralose produced outside of China and the demand for supply chain diversification, the average selling price of sucralose produced and sold outside of China is generally higher. Sourcing from overseas plants allows customers to mitigate the potential impacts of trade frictions and balance the risks associated with a single-source supply.

With the (i) increased possibility of more tariffs being imposed on sucralose exported from the PRC going forward; (ii) the long-term partnership between our Group and our existing customers which build a foundation of trust in our product quality; and (iii) expected incurrence of switching costs and uncertainty in quality of products in the event of sourcing sucralose from other sucralose manufacturers with overseas plants, despite of the differences in selling price of sucralose produced in and outside of China, in order to ensure (a) their high geographical concentration of sucralose can be mitigated; and (b) product consistency, it is reasonable for our customers to start procuring sucralose produced at our Thailand Plant as a means for supply chain diversification. We commenced sale of sucralose produced in our Thailand Plant in the second half of 2024. The average selling price of sucralose produced at our Thailand Plant for the year ended 31 December 2024 was approximately RMB317,932 per ton, while the average selling price of sucralose produced at our Ji'an Plant for the year ended 31 December 2024 was approximately RMB180,082 per ton.

Regarding food-grade glycine, as glycine exported from China to the US is subject to high anti-dumping duty rate as mentioned above, our customers in the US would generally be willing to procure food-grade glycine produced at our Indonesia Plant at a higher average selling price than those produced in our plant in China, so as to mitigate the risk of tariffs and international trade policies imposed against China and to ensure stable supply of glycine. Moreover, as our food-grade glycine produced at our Indonesia Plant is not subject to anti-dumping duty rate in the US, we have more bargaining power to set higher selling prices for food-grade glycine produced at our Indonesia Plant than those produced in our plant in China.

Apart from our competitive edge in possessing overseas production plants, we are able to offer DDP terms to our overseas customers where we are responsible for arranging for transportation and associated costs including export clearance and customs documentation required to reach the destination port requested by our overseas customers. According to the CIC Report, DDP delivery terms can only be provided by leading food additive manufacturers with risk control measurements. We believe that our ability to offer DDP delivery terms has distinguished us from other industry players.

We are confident that our international supply chain service system will continue to bring us economic benefits and differentiate us from other industry players. We also consider our international supply chain services have attributed to our continued success in strong overseas sales capability.

We have product development and R&D capabilities.

Our in-house R&D team is dedicated in constructing a sustainable and eco-friendly production environment and developing new products to align with the industry trends and demand of customers. In recognition of our product development and R&D capabilities, we have been recognised as a High-tech Enterprise (高新技術企業) for 18 years since 2009.

Our in-house R&D team of around 40 employees is led by our R&D director, Dr. Sho, PhD in applied chemistry from Kinki University, Japan, who has over 20 years of R&D experience in the food additives and functional food ingredients industry. Our in-house R&D team is committed in optimising our production processes for improving product yield, reducing energy consumption and reducing waste emissions. In acknowledgement of our achievement in reducing carbon footprints, we are recognised as a Green and Low Carbon Enterprise* with AAA credit rating (綠色低碳信用評價AAA級企業).

As at the Latest Practicable Date, we obtained 38 patents in the PRC, including patents of our invention in improving energy efficiency in our production process and our innovation in developing new production methods, such as invention patents in "An apparatus and method for recovering dimethylamine from sucralose production wastewater (一種從三氯蔗糖生產廢水中回收二甲胺的設備及方法)", and utility model patents in "A kind of environmentally friendly clean production facility for glycine (一種甘氨酸的環保清潔生產裝置)" and "A device for recycling waste liquid of glycine (一種回收甘氨酸廢液的裝置)".

Our in-house R&D team is also committed in developing new products to align with the industry trends and demand of the customers. Apart from sucralose and glycine, we had also developed other products such as mogroside, agar powder, dietary syrup and carrageenan, which had contributed to our revenue. We also had various products in the pipeline as at the Latest Practicable Date which are under research and development and/or testing, including curcumin, isomalt, seaweed dietary fibre and serine. Please refer to the paragraph headed "Our products — New products" in this section for further details.

By virtue of our product development and R&D capabilities, we are recognised as the "Sweetener Research Centre of Jiangxi Province*(江西省甜味添加劑工程技術研究中心)", "Ji'an Food Additives Engineering Research Centre* (吉安市食品添加劑工程技術研究中心)" and "Provincial Enterprise Technology Centre* (省級企業技術中心)". Moreover, in recognition of our innovation in the development and application of seaweed dietary fibre, we were granted with the "2024 Provincial Talent Development Special Fund* (2024年省級人才發展專項資金)" in December 2024, which is a government subsidy in the amount of RMB4.0 million to support our development of seaweed dietary fibre.

We believe that our product development and R&D capabilities play an important role in advancing our production processes and developing new products to capture opportunities in the industry.

We have an experienced and visionary management team

Our executive Director and chairman of the Board, Mr. Wang, has more than 20 years of experience in the food additives manufacturing industry and has been leading our Group to strive for continuous enhancement in our product quality and services. He is responsible for the overall strategic planning, major decision making and management of our Group's business development and operations. Our executive Director and deputy general manager, Mr. Wang Hao, has more than 10 years of experience in the food additives manufacturing industry with a master's degree in Professional Studies in Food

Science from Cornell University in the USA in 2019, and possesses in-depth technical knowledge in the industry and strong overseas sales capabilities. Our R&D director, Dr. Sho, has a PhD in applied chemistry from Kinki University, Japan, and has over 20 years of R&D experience in the food additives and functional food ingredients industry. Members of our senior management and key personnel possess extensive industry experience and in-depth industry knowledge, and some of them have been with us or in the related industry for around 10 to 20 years.

Our experienced and visionary management team plays an important role in establishing a corporate culture which focuses on consistent delivery of high quality products and services. They have also led our Group in constructing a sustainable and eco-friendly production environment, and to grasp new opportunities under the industry trends.

We believe the vision and experiences of our senior management team have brought us valuable insights and professional expertise, and our senior management team will continue to ensure the effective management of our business operations.

OUR STRATEGIES

With the aim of further developing our business and continuing our growth, we will implement the following strategies:

Continuous prioritisation and focus on overseas markets

Expansion of production of sucralose in our Thailand Plant

According to the CIC Report, among the top five manufacturers in the global sucralose market in 2023 in terms of revenue, we are the only manufacturer in the PRC which owns overseas production plant, namely our Thailand Plant. As advised by CIC, overseas price of sucralose are generally higher than domestic price of sucralose.

Some foreign downstream customers of sucralose show a preference of choosing sucralose suppliers with production plant located outside the PRC, taking into consideration of different production regulations and environmental protection policies, and the mitigation of risks from international trade such as international relations and volatile tariff.

During the Track Record Period, our Ji'an Plant engaged in the commercial production of sucralose with relatively high utilisation rates of approximately 88.3%, 90.2% and 70.0%. Considering (i) the rapidly growing demand for sucralose in the global market, where the global market size is expected to increase to 29.1 thousand tons by 2028 with an expected CAGR from 2023 to 2028 of 7.8%; and (ii) the selling price of sucralose in our Thailand Plant is significantly higher than the selling price of sucralose produced in our Ji'an Plant, our Directors believe that there is a business need to expand our production of sucralose, and in particular, to expand production in our Thailand Plant, to take advantage of the higher overseas selling price.

Accordingly, we aim to continue to prioritise and focus on overseas markets by expanding production in our Thailand Plant. As at the Latest Practicable Date, our Thailand Plant has a designed annual production capacity of approximately 500 tons of sucralose and we commenced sale of sucralose produced at our Thailand Plant in the second half of 2024. Going forward, we aim to further expand our production of sucralose in our Thailand Plant to fully utilise the designed annual production capacity of approximately 500 tons.

Production of isomalt in our Thailand Plant

Isomalt is a sugar alcohol sweetener which is enzymatically converted from sucrose. Isomalt is a low-intensity, low-GI and low-calorie sweetener with 0.6 times the sweetness of sucrose. Isomalt is widely used in the production of various foods, such as hard candies, soft candies, chewing gum, chocolate, jelly, refreshing drinks, ice cream, baked goods, tablets, etc..

According to the CIC Report, driven by the widely acceptance of food and beverage manufacturers, the global isomalt sales volume increased from 152.4 thousand tons in 2018 to 187.7 thousand tons in 2023, with a CAGR of 4.3%, and is further expected to reach 227.0 thousand tons by 2028, with a CAGR of 3.9% from 2023 to 2028. The isomalt sales volume in China increased from 12.2 thousand tons in 2018 to 17.2 thousand tons in 2023, with a CAGR of 7.1%. It is expected to increase to 29.5 thousand tons by 2028, with a CAGR of 11.4%. To capitalise on the increasing market size of isomalt, we aim to produce isomalt with an expected designed annual production capacity of 15,000 tons in our Thailand Plant.

We have conducted feasibility studies on the market demand of isomalt to ensure that there are sufficient opportunities in the industry, and have formulated various strategies to tap into the isomalt market. For further details, please refer to the paragraph headed "Our products — New products — New products to be funded by [**REDACTED**] of the [**REDACTED**]" in this section below.

We plan to use approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**] for our production of isomalt in our Thailand Plant, please refer to the section headed "Future plans and [**REDACTED**] — [**REDACTED**]" in this document for further details. We shall meet the remaining amount expected to be incurred in connection with the implementation of this business strategy with our internal resources.

Diversification of our product offerings through continuous development of new products

We strive to broaden our product offerings by developing new products, and we commit to developing products which align with the industry trends and demand of customers.

We believe we have the capability to develop new products based on our product development and R&D capabilities. In particular, we have been recognised as a High-tech Enterprise (高新技術企業) for 18 years since 2009, and that we are also recognised as the "Sweetener Research Centre of Jiangxi Province* (江西省甜味添加劑工程技術研究中心)", "Ji'an Food Additives Engineering Research Centre* (吉安市食品添加劑工程技術研究中心)" and "Provincial Enterprise Technology Centre* (省級企業技術中心)". Apart from sucralose and glycine, we had also developed other products such as mogroside, agar powder, dietary syrup and carrageenan, which had contributed to our revenue. For further details, please refer to the paragraph headed "Our products — Other products" in this section below.

Seaweed dietary fibre

Seaweed dietary fibre is a food ingredient which is a natural stabiliser used in yoghurt, beverages, ice-cream and other food products. It has been reported to prevent blood sugar surges and control appetite by slowing digestion, prolonging gastric emptying, and enhancing satiety as well as enhance taste by working as a thickener.

According to the CIC Report, driven by the increasing consumer demand for clean labels and precise information on daily values (DV%) influences food labelling, dietary fibre has gained preference these years. The global dietary fibre sales volume increased from 1,430.9 thousand tons in 2018 to 1,909.1 thousand tons in 2023, with a CAGR of 5.9%, and is further expected to reach 2,699.8 thousand tons by 2028, with a CAGR of 7.2% from 2023 to 2028. The dietary fibre sales volume in China increased from 177.6 thousand tons in 2018 to 243.0 thousand tons in 2023, with a CAGR of 6.5%. It is expected to reach 347.7 thousand tons by 2028, with a CAGR of 7.4%. Besides, seaweed dietary fibre is likely to capitalise on its technological strengths to substitute part of demand for hydrocolloids and capture incremental market demand. In the first half of 2024, we commenced trial production of seaweed dietary fibre. To capture the opportunities in the dietary fibre market, we plan to increase our production of seaweed dietary fibre with an expected designed annual production capacity of 3,000 tons.

Serine

Serine is a non-essential amino acid that is important for producing proteins and other metabolic functions in human bodies, which are commonly used in the medical, nutritious food and cosmetics industries. Glycine can be used as a raw material to produce serine.

According to the CIC Report, driven by the further development of biosynthetic technology, the production process of using glycine as raw material to produce serine will become more mature, which is expected to further promote the development of the global serine and glycine industry. The global demand for serine was over 10,000 tons in 2023, and is expected to surpass 20,000 tons by 2028. The sales volume for serine in China was over 3,500 tons in 2023 and is expected to reach around 7,600 tons by 2028. Embracing the increasing trend of adoption of serine, we plan to produce serine with an expected designed annual production capacity of 3,000 tons.

We have conducted feasibility studies on the market demand of seaweed dietary fibre and serine to assess whether there is sufficient demand for our products. Moreover, we have developed different strategies to enter into such markets. For further details, please refer to the paragraph headed "Our products — New products — New products to be funded by [**REDACTED**] of the [**REDACTED**]" in this section below.

We plan to use approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**] for our production of seaweed dietary products and serine, please refer to the section headed "Future plans and [**REDACTED**] — [**REDACTED**]" in this document for further details. We shall meet the remaining amount expected to be incurred in connection with the implementation of this business strategy with our internal resources.

Expansion of our international sales network

We aim to expand our international sales network by establishing new sales offices in the United States, the Netherlands, Thailand and Indonesia. In each sales office, we target to recruit local sales staff who have relevant sales experience to leverage on their local knowledge and connections. The sales staff will be primarily responsible for the sales activities and liaising with customers in the respective regions.

Apart from establishing new sales offices in North America, Europe and Southeast Asia, we aim to further expand our sales office in Shenzhen, the PRC. We target to use our sales office in Shenzhen, the PRC as a sales headquarters of our Group which will be overseeing all sales activities conducted by our sales offices around the globe.

The amount for the expansion of our international sales network is expected to be satisfied by our internal resources or external financing (where necessary).

Enhancement of our R&D capabilities

We believe that continuous product development and improvement following the latest market trend and changing needs and requirements of the customers is key to maintaining our competitive position and allow our further growth and expansion of business.

Our in-house R&D team will continue to construct a sustainable and eco-friendly production environment and develop new products and production methods to align with the industry trends and demand of customers. We aim to cooperate with renowned third-party institutions to keep abreast of the latest technical know-how and expertise in the industry and to cultivate talents, which we believe can further strengthen our competitiveness and enlarge our market share.

To focus on consolidating our market position in the production of glycine and sucralose, our R&D effort mainly focused on improving our existing products in optimising our existing production processes. In light of the ever-changing business needs of the customers and to align with the industry trends, our Directors consider that there is a business need to further diversify our product portfolio. Therefore, to further promote our R&D, our Group recruited Dr. Sho in 2023, who possesses a PhD in applied chemistry

from Kinki University, Japan and has over 20 years of R&D experience in the food additives and functional food ingredients industry, to lead the R&D for our new products by utilising new technology and methods. It is our strategy to continue to increase our R&D effort and incur more R&D expenses going forward for the development of new products under the leadership of Dr. Sho, who has in-depth technical expertise and experience in the relevant field.

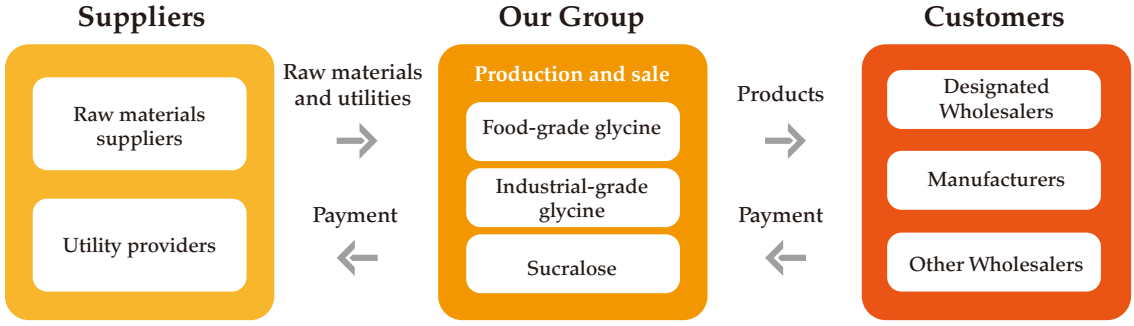
We plan to further enhance our R&D capabilities to focus on the development of new products by expanding our R&D centre in the PRC, purchasing further R&D equipment and recruiting more R&D staff.

We plan to use approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**] for the enhancement of our R&D capabilities, please refer to the section headed "Future plans and [**REDACTED**] — [**REDACTED**]" in this document for further details. We shall meet the remaining amount expected to be incurred in connection with the implementation of this business strategy with our internal resources.

OUR BUSINESS MODEL

During the Track Record Period, we were principally engaged in the manufacturing and sale of food-grade glycine, industrial-grade glycine and sucralose.

We procure raw materials and utilities from our suppliers for our production of food-grade glycine, industrial-grade glycine and sucralose, and sell to our customers including manufacturers, Designated Wholesalers and Other Wholesalers. The following diagram illustrates our business model:



OUR PRODUCTS

Our products are broadly categorised into (i) glycine, comprising food-grade glycine and industrial-grade glycine; (ii) sucralose; and (iii) others.

The following table sets out our revenue breakdown by product type during the Track Record Period:

	For the year ended 31 December					
	2022		2023		2024	
	Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Glycine						
– Food-grade	308,931	40.6	179,418	40.1	239,005	42.0
– Industrial-grade	58,098	7.6	27,233	6.1	66,371	11.7
Sub-total	367,029	48.2	206,651	46.2	305,376	53.7
Sucralose	377,424	49.6	228,286	51.1	237,471	41.8
Others*(Note)*	17,046	2.2	12,001	2.7	26,020	4.5
Total	761,499	100.0	446,938	100.0	568,867	100.0

Note: Others mainly include (i) our Group's by-products produced during our production process, such as sulfite and ammonium chloride; and (ii) our other products, such as mogroside (羅漢果甜苷), carrageenan and agar powder.

The table below sets out the sales volume and the average unit selling price of glycine and sucralose during the Track Record Period:

	For the year ended 31 December					
	2022		2023		2024	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	Tons	*RMB per ton*	*Tons*	*RMB per ton*	*Tons*	*RMB per ton*
Glycine						
– Food-grade	9,425	32,778	10,542	17,019	13,459	17,758
– Industrial-grade	2,659	21,850	2,611	10,430	6,711	9,890
Sucralose	1,211	311,663	964	236,811	1,285	184,802

Glycine (甘氨酸)

Glycine is a non-essential amino acid for the human body. It exists in the form of white crystalline powder, which is sweet and soluble in water. It is also slightly soluble in methanol, ethanol and is insoluble in acetone and ether.

Food-grade glycine can act as feed attractants (substance to enhance smell and taste in pet food), condiments/flavour enhancers (substance to enhance food flavours), surfactants (primary component of cleaning detergents) and stabilisers/preservatives (food additive which helps preserve structure of the food). It is therefore typically applied in pet food, daily consumer goods, fish paste, peanut butter, dairy products, soy sauce and other condiments. Industrial-grade glycine can be used as raw materials of glyphosate, which is used as herbicide and crop desiccant.

Glycine, like other chemical compounds, is defined by its chemical formula. The chemical formula for glycine is identical for every glycine manufacturer in the industry with the same chemical structure and properties. Therefore, our glycine is not distinguished from that of our competitors in terms of product functions and characteristics. We possess a number of competitive advantages over our competitors in terms of our market position, customer base, supply chain system, R&D capabilities and managerial capabilities. In particular, our glycine customers during the Track Record Period included our Swiss Food and Beverage Customer and American Confectionery Customer, which are world-famous multi-national corporations. Moreover, our food-grade glycine produced at our Indonesia Plant brings us economic benefits and differentiates us from our competitors. Please refer to the paragraph headed "Our strengths" in this section above for further details.

As advised by the CIC, given glycine's unique combination of flavor enhancement, nutritional support and functional roles, it is difficult to fully substitute glycine's wide-ranging applications with other alternative food ingredients. Moreover, glycine is widely used in the market due to its cost-effectiveness, nutritional value, high solubility, versatility and stability compared to other alternative food ingredients. With glycine's unique characteristics, there is continuous and increasing market demand in glycine where its global market size in terms of sales volume is expected to increase to 1,048.7 thousand tons by 2028, with a CAGR from 2023 to 2028 of 4.3%.

Sucralose (三氯蔗糖)

Sucralose is a high-intensity sweetener with low calorie. It exists in the form of white powder and it is easily soluble in water, ethanol and methanol. It is a functional sweetener using sucrose as raw material. Its sweetness is 600 times more than that of sucrose and its sweetness characteristics are very similar to that of sucrose.

Sucralose is widely applied in various kinds of food and beverages as a sweetener with high intensity, such as soft drinks, confectionery and snacks, baked goods, syrups and nutritional supplements.

Same as glycine, sucralose is defined by its chemical formula. Under the identical chemical formula, our sucralose is not distinguished from that of our competitors in terms of product functions and characteristics. We possess a number of competitive advantages over our competitors in terms of our market position, customer base, supply chain system, R&D capabilities and managerial capabilities. In particular, our sucralose customers during the Track Record Period included our American Beverage Customer, American Oral Care Products Customer and American Snacks Customer, which are world-famous corporations with large scale of operation. In addition, our sucralose produced at our Thailand Plant brings us economic benefits and differentiates us from our competitors. Please refer to the paragraph headed "Our strengths" in this section above for further details.

Sucralose is the fifth generation of artificial sweetener. As disclosed in the CIC Report, compared to other major artificial sweeteners, sucralose is widely recognised by downstream customers for its high sweetness, sound safety, good taste and high stability, and is used in various food and beverages. Other major artificial sweeteners include saccharin, cyclamate, aspartame, acesulfame K, and others (such as neotame and other lesser-used products). Saccharin and cyclamate are restricted in use by most countries due to safety concerns, whereas aspartame was classified as possibly carcinogenic to humans and is expected to see a slowdown in the growth of use in the next few years. Acesulfame K, like sucralose, is considered a safe sweetener, but its taste is not as good as sucralose and is not expected to threaten the development of the global sucralose industry. The sweetness of neotame is over 8,000 times of sucrose, making it difficult for downstream manufacturers to balance the taste of food or beverage. Unlike sucralose, which is widely adopted in various industries, neotame is not in large-scale commercial use as at the Latest Practicable Date.

As a result of sucralose's outperformance over other major artificial sweeteners, sucralose is expected to be the fastest growing category of artificial sweeteners in the world over the next five years. The global sucralose market, in terms of sales volume, is expected to reach 29.1 thousand tons by 2028, with a CAGR of 7.8% over the next five years.

Other products

During the Track Record Period, apart from glycine and sucralose, we sold a small amount of other products which mainly included (i) sulfite and ammonium chloride, being by-products produced during our production process; (ii) agar powder (琼脂), a powder form of agar which is derived from seaweed; (iii) mogroside (羅漢果甜苷), a natural sweetener derived from the fruit of monkfruit; (iv) carrageenan (卡拉膠), an additive that comes from red seaweed, used to thicken and preserve food and drinks; and (v) dietary syrup (膳食糖漿), a sweetener usually made from starchy raw materials. These other products accounted for less than 10% of our revenue for each of the three years ended 31 December 2024.

New products

Products pipeline

We had various products in the pipeline as at the Latest Practicable Date which are under research and development and/or testing. The following table sets out information in relation to our major pipeline products:

Expected time to commence sale	Product	Description
First half of 2025	Curcumin (薑黃素)	Biologically active compound in turmeric which can be applied in the food, medicine, cosmetic and other industries. It can act as a dietary supplement and has a wide range of beneficial properties such as anti-inflammatory and antioxidant
First half of 2025	Isomalt (異麥芽酮糖醇)	Sugar alcohol sweetener which with low-GI and low-calorie

Expected time to commence sale	Product	Description
Second half of 2025	Seaweed dietary fibre (海藻膳食纖維)	A natural stabiliser which has been reported to prevent blood sugar surges and control appetite by slowing digestion, prolonging gastric emptying, and enhancing satiety as well as enhance taste by working as a thickener
First quarter of 2027	Serine (絲氨酸)	Non-essential amino acids which can help produce proteins and other metabolic functions in human bodies, and can be applied in multiple industries, such as medicine, food and cosmetic

For details on our research and development function, please refer to the paragraph headed "Research and development" in this section below.

Our plan for product development and the expected time to commence sale are subject to and may be affected by various factors including our resources, market demand, progress of development, terms of cooperation with suppliers and the overall strategic planning. We may adjust the schedule for product development and release based on the circumstances.

Our new products are expected to be complements to the existing products, which can better promote the development of the existing products' business. For example, isomalt and our sugar substitute products are low-intensity sweeteners that can be combined with sucralose to achieve a balanced taste. Furthermore, most existing customers of our sucralose products may also need other types of food additives, which provide cross-selling opportunities for our new products, such as seaweed dietary fibre and curcumin. In addition, glycine could be used as the raw material to produce serine, which can further promote the further development of our glycine business.

***New products to be funded by* [REDACTED] *of the* [REDACTED]**

We plan to use the **[REDACTED]** of the **[REDACTED]** for the production of isomalt, seaweed dietary fibre and serine. Please refer to the section headed "Future plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

Since 2023, we have been exploring the opportunities in the production of isomalt, seaweed dietary fibre and serine. We have conducted feasibility studies on the market demand of such products to ensure that there are sufficient opportunities for us. Our feasibility studies were conducted by our in-house R&D team which was led by our R&D director, Dr. Sho, who possesses a PhD in applied chemistry from Kinki University, Japan, and has over 20 years of R&D experience in the food additives and functional food ingredients industry.

Our feasibility studies were based on market information we obtained from, among others, (i) international and local industry conferences and exhibitions we attended, such as the IFT First in the US, Food Ingredients China (FIC) in the PRC, and Food Ingredients and Health Ingredients Europe (FIE&HIE) in Europe; (ii) customer interviews; (iii) meetings and/or discussions with other industry players; (iv) industry journals and publications; and (v) third-party market research studies. Our feasibility studies were conducted based on a number of assumptions, such as (i) the overall global and PRC macroeconomic and political environment is expected to remain stable; (ii) the global and PRC's economic and industrial development is expected to maintain a steady growth; (iii) the overall international trade environment is expected to remain stable; and (iv) there is no extreme force majeure in which the market may be affected in a material way.

The feasibility studies covered, among others, (i) key applications of the product; (ii) types of customer; (iii) market size; (iv) competitors; (v) supply chain analysis; and (vi) key drivers in the market. Based on the feasibility studies, we have identified customer demand in various industries including confectionery and snacks, yoghurt and other beverages and pet food and daily consumer goods. We have also learnt that there is increasing market demand for isomalt, dietary fibre and serine, which is in line with the CIC Report. Regarding competition landscape, as each of the isomalt, seaweed dietary fibre and serine markets is in its early development stage, there is considerable room for our Group's expansion.

Cross-selling will be one of our strategies to tap into the new markets. In particular, (i) sucralose and isomalt can be used together to achieve a balanced taste in confectionery and snacks; (ii) sucralose and seaweed dietary fibre can be applied together in yoghurt and other beverages to act as sweetener and stabiliser respectively; and (iii) food-grade glycine and serine can both be utilised in pet food and daily consumer goods, where food-grade glycine can act as feed attractants in pet food and surfactants in daily consumer goods, and serine can provide nutrients in pet food and moisture retaining and antioxidant properties in daily consumer goods. Accordingly, we aim to cross-sell (i) sucralose and isomalt, targeting mainly in the confectionery and snacks industries; (ii) sucralose and seaweed dietary fibre, targeting mainly in the yoghurt and other beverages industries; and (iii) food-grade glycine and serine, targeting mainly in the pet food and daily consumer goods industries.

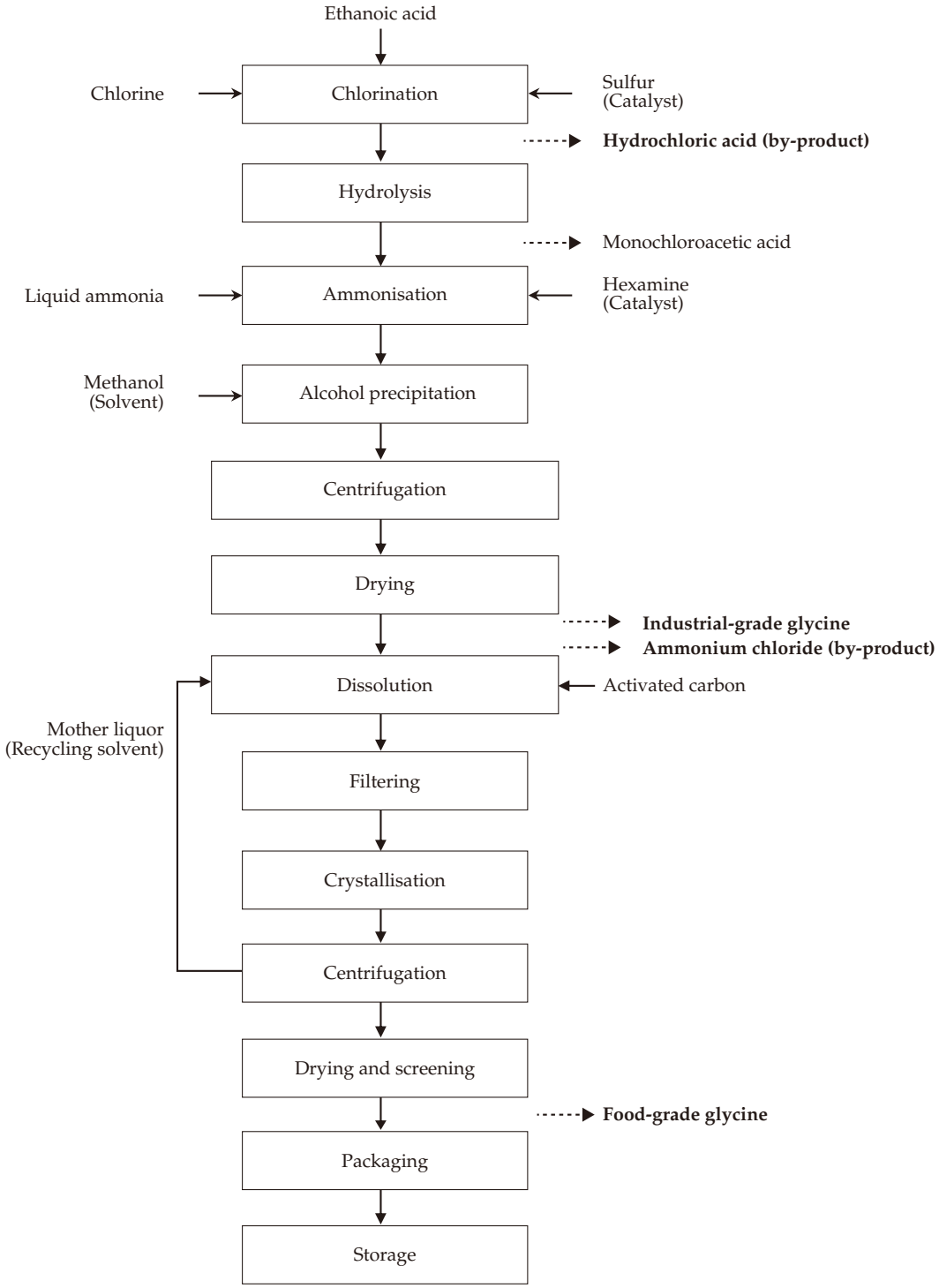
Apart from using cross-selling as our strategy, our other strategies include, among others, (i) participating in various international trade shows and exhibitions (in particular, in the 2024 Food Ingredients Asia (FIA) exhibition held in Indonesia, which is the largest food and beverage ingredients exhibition in the Southeast Asia, which our seaweed dietary fibre was selected as one of the highlighted products for display in recognition of its innovative characteristics); (ii) holding product launch conferences; (iii) inviting potential customers to our production plant for site visits and product display; (iv) promoting our new products on social media, including promotion on the food additives website in the industry.

Leveraging on our long-standing business relationships and accumulated knowledge of the targeted industries from the sale of sucralose and food-grade glycine, we are confident that we possess the sales and marketing capabilities to obtain new orders from both of our existing and new customers, and have the competitive edge compared to other market players given our strong market position in the sale of sucralose and food-grade glycine. Our customers have expressed their interest in our isomalt and seaweed dietary fibre. In particular, (i) our American Snacks Customer has expressed their interest in signing a long-term sales agreement with us for our supply of isomalt from 2025 and onwards; and (ii) customers which are world-renowned yoghurt and other beverages companies had performed sample testing on our seaweed dietary fibre. As our expected time to commence sale of serine is in early 2027, we are in early discussion with our customers regarding our sale of serine.

OUR PRODUCTION PROCESS

Glycine

The following diagram depicts the typical workflow of our production process of industrial-grade glycine and food-grade glycine:



Industrial-grade glycine

We first mix ethanoic acid, chlorine and sulfur (as a catalyst) together in a reactor under a prescribed ratio for chlorination. We then proceed to hydrolysis to obtain monochloroacetic acid. Afterwards, we will mix monochloroacetic acid, liquid ammonia and hexamine (as a catalyst) together in a prescribed ratio for ammonisation. The ammonisation is conducted under a controlled pH level and temperature. We then add methanol (as a solvent) for alcohol precipitation. Industrial-grade glycine will be obtained after rinsing, centrifugation and drying.

Industrial-grade glycine is produced in our Xizang Plant, which usually takes around 30 to 40 hours for the entire production process.

Food-grade glycine

After obtaining industrial-grade glycine, we will add a specified amount of mother liquor (a residual liquid resulting from crystallisation and centrifugation, which acts as a solvent) and activated carbon into the industrial-grade glycine at a high temperature for dissolution. Refined glycine will be obtained after filtering, crystallisation, centrifugation, drying and screening. Mother liquor obtained after crystallisation and centrifugation will be recycled to be used as a solvent throughout the process.

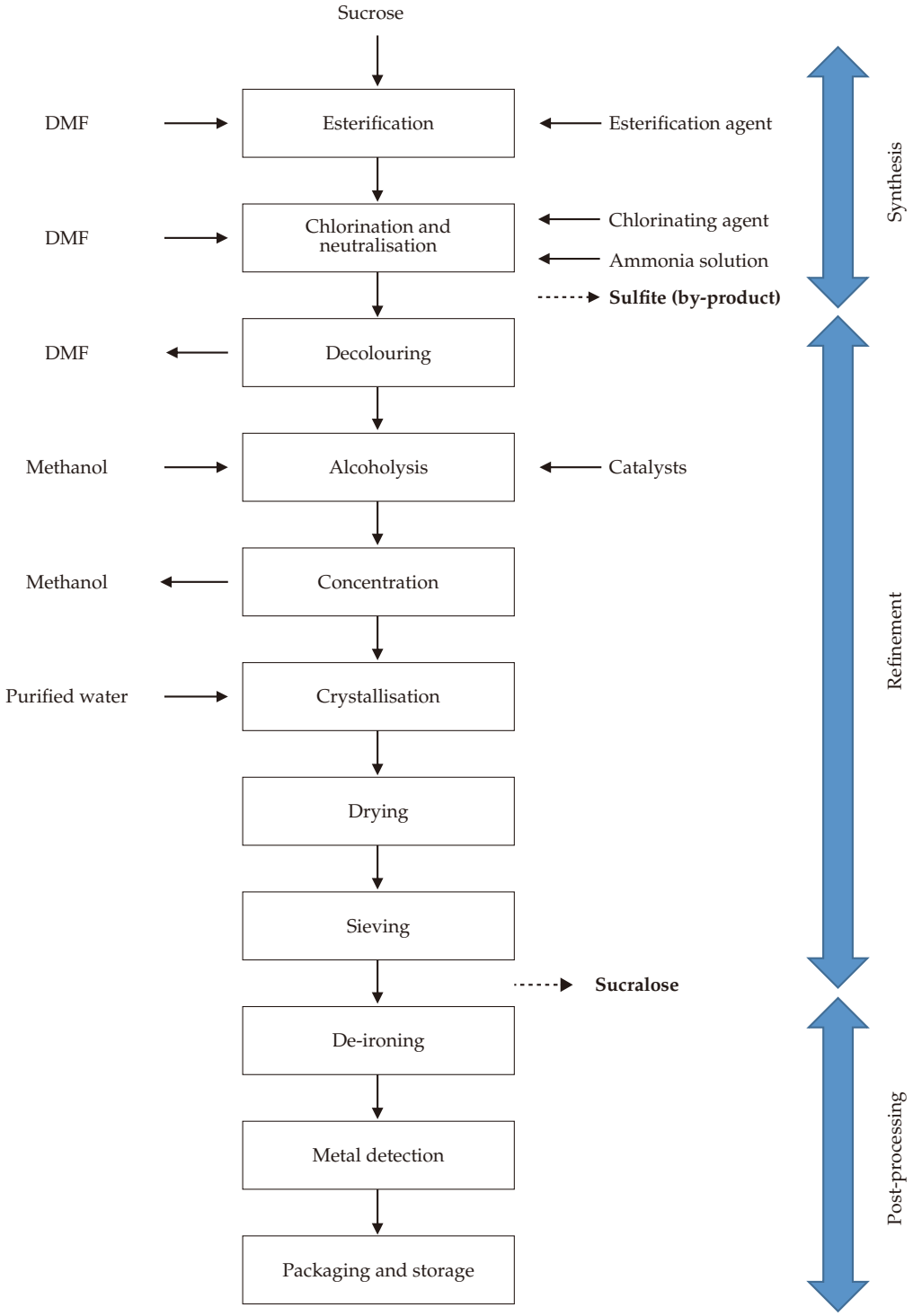
Food-grade glycine is produced in our Yujiang Plant and Indonesia Plant.

Our Yujiang Plant typically procures industrial-grade glycine from our Xizang Plant and starts from the dissolution stage for the production of food-grade glycine. It usually takes up to one day for the production of food-grade glycine in our Yujiang Plant.

Our Indonesia Plant typically procures monochloroacetic acid directly from raw material suppliers and starts from the ammonisation stage for the production of food-grade glycine.

Sucralose

The following diagram depicts the typical workflow of our production process of sucralose:



Synthesis

We first mix sucrose, DMF and esterification agent together in a reaction vessel under a prescribed ratio for esterification. We then add chlorination agent in the mix by slowly increasing the temperature for chlorination. After chlorination, temperature will be lowered and ammonia solution will be added in the mix for neutralisation.

Refinement

The refinement stage includes decolouring, alcoholysis, concentration, crystallisation, drying and sieving. At drying stage, we dry sucralose in a vacuum state to control the moisture in the sucralose. Upon reaching a satisfactory level of dryness of the sucralose, we will proceed to sieving, where we use sieving machines to obtain sucralose in different particle sizes.

Post-processing

The post-processing stage includes de-ironing, metal detection, and packaging and storage. Magnetic rod sets are used to remove iron and absorb metal substances in the sucralose in the de-ironing stage. We then use pipe metal detectors to detect whether there are any metal residues in the sucralose. Any metal residues must be removed. Qualified sucralose after metal detection will be packaged and stored.

Sucralose is produced in our Ji'an Plant and Thailand Plant. It usually takes around 10 days for the production of sucralose in our Ji'an Plant. Our Thailand Plant typically procures semi-finished products from our Ji'an Plant and starts from the alcoholysis stage for the production of sucralose. It usually takes around four days for the production of sucralose in our Thailand Plant. We commenced sale of sucralose produced in our Thailand Plant in the second half of 2024.

Due to various factors, including difficulties in the supply and timely delivery of raw materials and the hindrance in our production efficiency, our production capacity fluctuated during the Track Record Period. In the event that our customers required us to provide sucralose urgently, we would procure sucralose from Independent Third Parties to re-sell to our customers. Such sale of sucralose accounted for less than 10% of our total revenue for each of FY2022, FY2023 and FY2024, respectively.

Our procurement from Independent Third Parties to re-sell to our customers were made on individual purchase orders placed with such Independent Third Parties, which included material terms such as (i) product specifications; (ii) unit price; (iii) quantity; (iv) quality standard requirements; (v) payment terms; and (vi) delivery schedules. We conducted a comprehensive evaluation to ensure the qualifications of these Independent Third Parties are satisfactory. The evaluation process included but not limited to obtaining the relevant business licence and production licences, as well as conducting background checks on the suppliers' size, reputation, and qualifications. When the relevant products were delivered to our Group, the quality control department will conduct inspection checks to ensure the product quality is in line with the standards stated in the purchase order. An inspection report will be prepared and signed by the quality control department, as evidence of approval. We only accept products which comply with the relevant quality standard requirements.

Pursuant to the relevant agreements and/or purchase orders with the relevant customers, we were required to supply products which comply with the relevant quality requirements and other specifications requested by the relevant customers, which we have implemented stringent quality control to ensure such compliance. There were no material product recalls or product returns from our customers due to product quality issue for products we procured from Independent Third Parties and on-sold to them during the Track Record Period.

OUR PRODUCTION PLANTS

As at the Latest Practicable Date, we had five production plants located in the PRC, Indonesia and Thailand. According to the CIC Report, we were the only PRC food-grade glycine manufacturer and the only PRC sucralose manufacturer with overseas production plant among the top five PRC food-grade glycine manufacturers and the top five PRC sucralose manufacturers as at 31 December 2024.

The table below sets out further information on our production plants as of the Latest Practicable Date:

	In the PRC			Indonesia	Thailand
	Ji'an Plant	**Yujiang Plant**	**Xizang Plant**	**Indonesia Plant**	**Thailand Plant**
Principal products produced	Sucralose	Food-grade glycine	Industrial-grade glycine (During the Track Record Period, over 50% of industrial-grade glycine produced was supplied to Yujiang Plant as raw materials for the production of food-grade glycine)	Food-grade glycine	Sucralose
Main targeted sales regions	The PRC and overseas markets	The PRC and overseas markets (except the United States)	The PRC	The United States and Europe	Overseas markets
Average selling price of principal products produced in each year during the Track Record Period	From approximately RMB127,945 per ton to RMB316,871 per ton	From approximately RMB12,670 per ton to RMB32,152 per ton	From approximately RMB9,890 per ton to RMB21,850 per ton	From approximately RMB32,379 per ton to RMB42,975 per ton	We commenced sale of sucralose produced in our Thailand Plant in the second half of 2024. The average selling price for the year ended 31 December 2024 was approximately RMB317,932 per ton

The table below sets out a summary of the theoretical maximum annual production capacity, actual production volume and utilisation rate of our production plants during the Track Record Period:

		Year ended 31 December								
		2022			2023			2024		
Our production plant	Principal product	Theoretical maximum annual production capacity[1] *(tons)*	Actual production volume[2] *(tons)*	Utilisation rate[3] *(%)*	Theoretical maximum annual production capacity[1] *(tons)*	Actual production volume[2] *(tons)*	Utilisation rate[3] *(%)*	Theoretical maximum annual production capacity[1] *(tons)*	Actual production volume[2] *(tons)*	Utilisation rate[3] *(%)*
Ji'an Plant	Sucralose	1,273	1,124	88.3	942	850	90.2	1,498	1,049	70.0
Yujiang Plant	Food-grade glycine	10,027	8,364	83.4	17,067	9,199	53.9	16,853	11,157	66.2
Xizang Plant	Industrial-grade glycine	40,200	11,289	28.1	38,700	9,141	23.6	48,750	15,423	31.6
Indonesia Plant	Food-grade glycine	1,212	1,035	85.4	2,970	782	26.3	4,061	3,217	79.2
Thailand Plant[4]	Sucralose	–	–	–	–	–	–	167	46	27.5

Notes:

(1) The theoretical maximum annual production capacity is based on the average quantity of products that each production plant can produce per day multiplied by the maximum number of working days per year after taking into account of required upgrade, repairs and maintenance, disruptions brought by COVID-19 and construction work performed by the local government.

(2) The actual production volume for each year is rounded off to the nearest integer.

(3) The utilisation rate is calculated based on the actual production volume divided by the theoretical maximum annual production capacity in the relevant year.

(4) Our Thailand Plant commenced production of sucralose in the second half of 2024.

Ji'an Plant

From FY2022 to FY2023, there was (i) a decrease in theoretical maximum annual production capacity from 1,273 tons to 942 tons; and (ii) a decrease in actual production volume from approximately 1,124 tons to 850 tons, which was mainly due to the suspension of production for upgrade and maintenance of production line.

From FY2023 to FY2024, there was (i) an increase in theoretical maximum annual production capacity from 942 tons to 1,498 tons, which was mainly due to completion of upgrade and maintenance of production line in late 2023, partly offset by the suspension of production from April 2024 to August 2024 due to the road works performed outside our Ji'an Plant which adversely affected the logistics arrangement; and (ii) an increase in actual production volume from 850 tons to 1,049 tons, which was also mainly due to completion of upgrade and maintenance of production line in late 2023. The suspension of production from April 2024 to August 2024 due to the road works performed outside our Ji'an Plant did not have material impact on our Group's daily operation. As it requires time for us to allocate manpower and resources for the full resumption of operation of our Ji'an Plant after the aforementiond suspension of production, and with the increased capacity, our utilisation rate decreased from approximately 90.2% to 70.0% from FY2023 to FY2024.

Yujiang Plant

In FY2023, the theoretical maximum annual production capacity returned to normal to 17,067 tons with the improvement of the COVID-19 situation. From FY2022 to FY2023, there was a decrease in utilisation rate from approximately 83.4% to 53.9%, which was mainly due to the disruption in supply of industrial-grade glycine from our Xizang Plant, as our Yujiang Plant procured industrial-grade glycine from our Xizang Plant as raw materials for the production of food-grade glycine.

From FY2023 to FY2024, there was an increase in utilisation rate from approximately 53.9% to 66.2%, which was mainly due to an increase in demand from customers, which is reflected in the sales volume from 2023 to 2024, and the increase in production efficiency in our Xizang Plant which resulted in more stable supply of industrial-grade glycine.

Xizang Plant

At the initial stage of the production process of industrial-grade glycine at our Xizang Plant (i.e. chlorination), hydrochloric acid, being a by-product, would be produced. As hydrochloric acid is a strong acid, it must be handled properly before it is discharged. For details of the production process of glycine, please refer to the section headed "Business — Our production process" in this document.

Historically, we lacked the capacity to handle the by-product (i.e. the hydrochloric acid) efficiently. Before June 2024, as we did not have the capacity to handle hydrochloric acid properly, we had to store it in special containers (due to its corrosive nature) until we could either sell it to third parties at a low price or engage third parties to handle it for us. Accordingly, it created a bottleneck for us as we had to suspend our production process from time to time to allow time for handling the large amount of hydrochloric acid accumulated. Therefore, the production efficiency in our Xizang Plant was hindered during the Track Record Period, and we had a low utilisation rate during the Track Record Period.

We had been looking for ways to handle the hydrochloric acid efficiently in order to increase the production efficiency in our Xizang Plant, but taking into account of the customer demand at the relevant time, we experienced difficulty in reaching a cost-effective method to handle the hydrochloric acid. Considering that the demand of food-grade glycine would increase where industrial-grade glycine is a raw material of food-grade glycine, and that the demand for industrial-grade glycine would also increase, in June 2024, we began to utilise calcium carbonate, which is alkaline in nature, to neutralise hydrochloric acid. We upgraded our reactor and acquired specific equipment for the neutralisation of the hydrochloric acid. After being neutralised properly, the hydrochloric acid can be discharged safely.

From FY2022 to FY2023, there was also (i) a decrease in theoretical maximum annual production capacity from 40,200 tons to 38,700 tons which was mainly due to the suspension of production for upgrade of production line in our Xizang Plant; and (ii) a decrease in actual production volume from approximately 11,289 tons to 9,141 tons and a decrease in utilisation rate from approximately 28.1% to 23.6%, which was mainly due to the decrease in demand from customers. From FY2023 to FY2024, there was an increase in theoretical maximum annual production capacity from 38,700 tons to 48,750 tons, which was mainly due to completion of upgrade and maintenance of production line in late 2023. Moreover, there was an increase in the actual production volume from 9,141 tons to 15,423 tons, and an increase in utilisation rate from approximately 23.6% to 31.6%, which was mainly due to the fact that we had developed a method to handle the hydrochloric acid more efficiently. The utilisation of our Xizang Plant depends on the customer demand. For each of FY2022, FY2023 and FY2024, our Group's revenue from industrial-grade glycine only accounted for approximately 7.6%, 6.1% and 11.7% of our total revenue, respectively. Moreover, during the Track Record Period, apart from Customer A which procured industrial-grade glycine from us, all of our five largest customers procured sucralose or food-grade glycine from us. As such, the utilisation rate in our Xizang Plant in FY2024 is still lower than that of the other production plants (except for our Thailand Plant which commenced production of sucralose in the second half of 2024).

Indonesia Plant

During each of FY2022 and FY2023, the theoretical maximum annual production capacity was impacted due to the disruptions brought by COVID-19 as we temporarily suspended production in our Indonesia Plant. From FY2022 to FY2023, the theoretical maximum annual production capacity increased from 1,212 tons to 2,970 tons, as the number of days of suspension due to COVID-19 decreased with the improvement of the COVID-19 situation.

In the second and third quarter of 2023, we encountered difficulties in importing raw materials for our production of food-grade glycine due to the delay of the renewal of B2 Import Approval Licence, which was caused by our change of agent whom did not assist us in renewing the licence on time. Therefore, we could not fully utilise the production capacity in our Indonesia Plant during the same period and resulted in a low utilisation rate and actual production volume in FY2023.

From FY2023 to FY2024, there was (i) an increase in theoretical maximum annual production capacity from 2,970 tons to 4,061 tons, as there was no suspension of production due to COVID-19 during FY2024; and (ii) an increase in actual production volume from approximately 782 tons to 3,217 tons, and an increase in utilisation rate from approximately 26.3% to 79.2%, which was mainly due to successful renewal of B2 Import Approval Licence in September 2023, which was further renewed in July 2024 and April 2025 and would expire in April 2026.

Thailand Plant

Our Thailand Plant commenced production of sucralose in the second half of 2024. Going forward, we aim to further expand our production of sucralose in our Thailand Plant to fully utilise the designed annual production capacity of approximately 500 tons. For further details, please refer to the paragraph headed "Our strategies" in this section.

During the Track Record Period and up to the Latest Practicable Date, we owned all of the major equipment we used in our production process. We carry out regular inspections and assessments on the condition of our production plants and conduct regular repair and maintenance of our equipment. Depreciation of the major equipment is recognised using the straight-line method.

The following table sets out a brief description of some of the major equipment we used in our production process:

Major equipment	Relevant principal product	Major function	Year of recognition in our accounting records	Estimated useful life
Reactive distillation tower (反應蒸餾塔)	Sucralose	Equipment used in esterification	2023	10 years
Stainless steel reactor (不銹鋼反應釜)	Sucralose	Equipment used in decolouring	2017	11 years
Metal detector (金屬探測器)	Sucralose	Equipment used in metal detection	2016	11 years
Enamel cauldron (搪瓷釜)	Food-grade glycine	Equipment used in crystallisation	2017	11 years
Centrifuge (離心機)	Food-grade glycine	Equipment used in centrifugation	2017	11 years
Automatic packaging machine (自動包裝機)	Food-grade glycine	Equipment used in packaging	2017	11 years

Major equipment	Relevant principal product	Major function	Year of recognition in our accounting records	Estimated useful life
Ammonia reaction kettle (氨化反應釜)	Food-grade glycine	Equipment used in ammonisation	2021	8 years
Crystallisation kettle (結晶釜)	Food-grade glycine	Equipment used in crystallisation	2021	8 years
Chlorination kettle (氯化釜)	Industrial-grade glycine	Equipment used in chlorination	2017	11 years
Alcohol precipitation kettle (醇析釜)	Industrial-grade glycine	Equipment used in alcohol precipitation	2017	11 years
Carbon steel pulse air dryer (碳鋼脈衝氣流乾燥機)	Industrial-grade glycine	Equipment used in drying	2017	11 years

QUALITY MANAGEMENT

We are devoted to maintaining high product quality and implementing enhanced quality management procedures from procurement to the entire production process. Our quality control team is responsible for the overall quality control of our production and to ensure that the entire procurement and production process are conducted in accordance with internal and industry quality standards.

We also uphold a strict quality management system. As a result of our enhanced quality control measures, we have been accredited with BRC (Grade A+), FDA, FSSC 22000, KOSHER, HALAL, ISO 22000:2018, FAMI-QS for our quality management standards. We apply relevant industry standards in our production process to ensure that our products are consistently produced in compliance with the applicable industry standards.

BRC (Grade A+)

The BRC (Brand Reputation through Compliance) certificate refers to the certification under the BRCGS (Brand Reputation Compliance Global Standard), which is a globally recognised standard for ensuring food safety, quality and operational criteria in the supply chain.

FDA

The FDA (Food and Drug Administration) certificate refers to a certificate of registration under the U.S. Food and Drug Administration (the "**U.S. FDA**") which signifies a product that has complied with the safety and regulatory standards set by the U.S. Food and Drug Administration.

FSSC 22000

FSSC 22000 (Food Safety System Certification 22000) contains a complete certification scheme for food safety management systems aligned with the ISO management system approach and the ISO organisation structure, which is widely accepted across the globe for auditing and certifying food safety across the supply chain.

KOSHER

The KOSHER certificate represents a mark of approval from a rabbinical organisation, verifying that a product has met the stringent requirements of Jewish dietary laws, known as "Kashrut". It certifies that the product ingredients, production facilities, and actual manufacturing processes have been inspected to ensure that there are no traces of non-kosher substances in any ingredients, derivatives, tools, or machinery.

HALAL

The HALAL certification certifies a product as being permissible according to Islamic Law, ensuring that the product has been prepared, processed, and handled in accordance with specific requirements under the Islamic Law.

ISO 22000:2018

ISO 22000:2018 is an international standard that specifies requirements for a food safety management system to control food safety in order to ensure that the food is safe for consumption.

FAMI-QS

The FAMI-QS (Feed Additives and Pre-mixtures Quality System) is a European code of practice that certifies specialty feed ingredients companies have implemented necessary measures to ensure feed safety and quality of products.

Quality control on the sourcing of raw materials

We have implemented a quality control system for raw materials pursuant to which each batch of raw materials delivered to our production plants is tested on a sampling basis for both physical and chemical properties, such as appearance, hygiene standards and chemical content. We have also implemented policies in relation to the storage of raw materials, including storage temperature, ventilation and humidity conditions. To ensure the quality and stable supply of our raw materials, we have established stringent criteria in selecting of our suppliers, which include, among others, product quality, stability of supply, cost of supply and after-sales support.

Quality control on the production process

We apply and adhere to the relevant industry standards in our production process, including BRC (Grade A+), FDA, FSSC 22000 and ISO 22000:2018, to ensure that our products are consistently produced in compliance with the relevant industry standards. We have imposed quality control on each of our key production process, in particular, we ensure there are no metal substances in our products by using magnetic rod sets to remove iron and absorb metal substances, and using pipe metal detectors to detect any metal residues.

In addition, we have also adopted strict hygiene and safety standards in each of our production facilities. We require our production staff to clean and sterilise our production plants regularly. All our employees are required to follow designated sanitising procedures, including wearing hair nets, uniforms, gloves and overshoes before they are allowed to enter our production plants. We provide our employees with production training. All newly hired employees, including temporary and permanent workers, are required to complete the training and pass certain assessments before commencing job operations. We also conduct annual inspection on our production lines to ensure all of our machinery and equipment are in good condition, and will carry out regular upgrade, repairs and maintenance to increase our production capacity and efficiency.

To further demonstrate our quality compliance to our customers, we invite an internationally-recognised third-party testing centre to conduct on-site audit on our production process under FSSC 22000 (a complete certification scheme for food safety management systems which is widely accepted across the globe for auditing and certifying food safety across the supply chain) every year. We passed all on-site audits under FSSC 22000 for the three years ended 31 December 2024.

Quality control on the finished products

Each batch of our finished products is tested on a sampling basis and is inspected to ensure that they have proper and accurate labelling and have met the relevant quality standards and product specifications. Moreover, we analyse our inspection results of finished products semi-annually by using trend analysis on key quality control standard. Investigation and follow-up action will be conducted if abnormal trend or significant deviation is noted. We also send our products to an internationally-recognised third-party testing centre to demonstrate that our products comply with the relevant quality standards as requested by our customers.

Quality control on storage of the inventory

We have implemented operation procedures for our warehouse, including record keeping in a timely manner, proper and clear labelling and periodic stock-taking. We also maintain storage conditions in our warehouse in accordance with the categories and stock-in dates of raw materials and finished products.

Quality control on transportation process

We have also implemented a quality control system on our transportation process when delivering products to our customers, which includes but not limited to (i) inspect the containers and transport vehicles regarding the conditions of storing areas, existence of abnormal smells and functionality of locking devices, etc.; (ii) ensure the cleanliness and hygiene of loading devices and loading area; and (iii) specify the maximum height where the products can be stacked to minimise the risk of collapsing. In particular, the quality control on the transportation process of food-grade glycine is more stringent, where the hygiene requirements for the containers are higher and the containers must be sealed after loading.

SALES AND MARKETING

We have a diversified customer base across the world with over 150 customers in each year during the Track Record Period from a wide-range of industries. Among which included reputable multinational corporations such as our (i) American Beverage Customer, a world-renowned multinational corporation manufacturing one of the world's most popular carbonated beverages; (ii) Swiss Food and Beverage Customer, a world-famous multinational corporation which is famous for its branded coffee, chocolate and cereals; (iii) American Oral Care Products Customer, one of the world's largest oral care products manufacturers; (iv) American Confectionery Customer, a globally-leading confectionery manufacturer; and (v) American Snacks Customer, a top snacks manufacturer in the world. Certain of these reputable multinational corporations have approximately 10 to 20 years of business relationship with our Group. Our sales network covered around 40 countries during the Track Record Period, such as the PRC, Japan, Korea, the United States, Spain, Germany, France, the United Kingdom, the Netherlands, Australia, Brazil and Argentina.

We believe that our long-term and stable relationship with our customers is the recognition of our capabilities in providing stable and high-quality products with comprehensive supply chain services. In particular, we received different awards and recognitions from our customers, further demonstrating customers' recognition in our performance. For example, we were recognised as Supplier of the Year by our American Confectionery Customer and we obtained the FBI Foreign Body Prevention Initiative — Best Achievement Award from our Swiss Food and Beverage Customer. Please refer to the paragraph headed "Awards and recognitions" in this section below for further details.

We have a dedicated sales team which is currently led by Mr. Wang Hao, our executive Director and deputy general manager, who has more than 10 years of experience in the food additives manufacturing industry with a master's degree in Professional Studies in Food Science from Cornell University in the USA in 2019, and possesses in-depth technical knowledge in the industry and strong overseas sales capabilities. As of 31 December 2024, our sales and marketing team had 18 staff. We have different sales staff dedicated to managing our sales to different customers pursuant to geographical locations of these customers.

MARKETING

Our sales team works closely for the promotion of our products and is responsible for the marketing activities of our Group, serving our existing customers and promoting new products to new customers. Our sales and marketing team is primarily responsible for communications with our customers, implementing marketing strategies and conducting promotion activities. Our sales team also assists in the provision of after-sales services to our customers and collecting customer feedbacks.

Our sales and marketing team pays regular visits to our customers to maintain customer relationship and to understand the changing market needs. We also participate in various international trade shows and exhibitions in the PRC and overseas to promote our products and collect information on market trends and consumer preferences.

Our Directors believe that we have successfully established a solid and stable customer base with high customers' stickiness due to our commitment to provide high-quality products with excellent services in a sustainable production environment. According to the CIC Report, our manufacturer customers which hold a leading position in the industry, have high standards and stringent criteria in selecting their suppliers. Their suppliers are expected to provide stable and high-quality products with timely and reliable delivery and uphold high standards in preserving the environment for sustainable development. These customers are unlikely to switch their suppliers, considering the high switching cost and the immense hurdles in establishing long-lasting and credible relationship.

Due to our long history with our loyal customers, we believe that we have the competitive edge to better satisfy or even exceed their expectations compared to other market players due to our accumulated knowledge of such customers. It is also less costly to spend sales and marketing effort with these loyal customers as they have already built up trust and confidence in our products and services. Moreover, leveraging on our product development of and R&D capabilities, we are confident that we are able to satisfy customers' changing demand and requests by enhancing our production methods and products.

OUR CUSTOMERS

Our customers primarily comprise:

(i) manufacturers, among which include but not limited to manufacturers in the industries of food and beverages, pet food, daily consumer goods, confectionery and snacks, nutritional supplements and chemical products, which use our products as raw materials for the production of their own products, such as our American Beverage Customer, Swiss Food and Beverage Customer, American Oral Care Products Customer, American Confectionery Customer and American Snacks Customer;

(ii) Designated Wholesalers, which are wholesalers designated by certain of our manufacturer customers including our Swiss Food and Beverage Customer, American Oral Care Products Customer, American Confectionery Customer and American Snacks Customer, to on-sell our products to such manufacturers; and

(iii) Other Wholesalers, which on-sell our products to their customers which are mainly local manufacturers in their respective regions to the best of our Directors' knowledge.

The following table sets out our revenue breakdown by customer type during the Track Record Period:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	Revenue		**Revenue**		**Revenue**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturers	478,129	62.8	263,487	59.0	236,887	41.6
Designated Wholesalers	118,768	15.6	41,187	9.2	37,484	6.6
Other Wholesalers	164,602	21.6	142,264	31.8	294,496	51.8
Total	761,499	100.0	446,938	100.0	568,867	100.0

The table below sets out further information on our customers:

	Manufacturers	Designated Wholesalers	Other Wholesalers
Principal products purchased from us	Food-grade glycine, sucralose and industrial-grade glycine	Food-grade glycine and sucralose	Food-grade glycine, sucralose and industrial-grade glycine
Usage of principal products purchased from us	For own production use	For on-selling to certain of our manufacturer customers	To the best of our Director's knowledge, for on-selling to their customers which are mainly local manufacturers in their respective regions
Basis of placing purchase orders	Based on own production requirements and schedule	We negotiate with the relevant manufacturer customers directly based on their production requirements and schedule, and our Designated Wholesalers customers place purchase orders with us on behalf of such manufacturer customers	To the best of our Director's knowledge, normally based on purchase orders gathered from their customers
Whether identity of end users is known to our Group	Yes, manufacturers themselves are the end users	Yes, the relevant manufacturers are the end users, where identities of such manufacturers are known to our Group	No. To the best of our Director's knowledge, their customers are mainly local manufacturers in their respective regions

Manufacturers and Designated Wholesalers

During the Track Record Period, approximately 62.8%, 59.0% and 41.6% respectively of our revenue was derived from our manufacturer customers; and approximately 15.6%, 9.2% and 6.6% respectively of our revenue was derived from our Designated Wholesalers customers.

Some of our manufacturer customers which are reputable multinational corporations such as our American Beverage Customer, Swiss Food and Beverage Customer, American Oral Care Products Customer, American Confectionery Customer and American Snacks Customer typically enter into sales framework agreements with us which stipulate, among others, (i) the product specifications; (ii) the estimated quantity of products to be purchased from us for the upcoming period, which does not represent a firm commitment of the amount of products to be purchased from us; and (iii) the agreed unit price of the products for the upcoming period. After entering into the sales framework agreements with us in the prior period, these multinational corporations typically place separate purchase orders directly with us later according to their actual production needs, and under the agreed unit price stipulated in the sales framework agreements.

Apart from placing separate purchase orders directly with us, some of these multinational corporations including our Swiss Food and Beverage Customer, American Oral Care Products Customer, American Confectionery Customer and American Snacks Customer also designated specific wholesalers to place purchase orders with us throughout the year on their behalf (i.e. the Designated Wholesalers). Typically, these purchase orders are placed by the Designated Wholesalers according to the stipulated terms under the relevant sales framework agreements entered into between the said multinational corporations and us. According to the CIC Report, it is common for multinational corporations to engage Designated Wholesalers to make purchase orders on their behalf as these Designated Wholesalers provide logistics services such as warehouse services and customs clearance services for them.

Sales framework agreements generally include the following principal terms:

Duration	:	Generally ranging from three months to one year with no automatic renewal clause
Product description	:	Description of the product including the product specifications and packaging requirements
Order quantity	:	An estimated quantity of products to be ordered throughout the duration of the sales framework agreement, actual quantity to be stipulated in each purchase order
Unit price	:	Unit price is generally agreed throughout the duration of the sales framework agreement[(1)]

Currency	:	Generally payable in USD or RMB
Delivery terms	:	A wide-range of delivery terms are provided, mainly FOB, FCA, CIF and DDP(2). Delivery dates to be stipulated in each purchase order
Payment terms	:	Generally due within 30 to 180 days of invoice date

Notes:

(1) The unit price may be subject to further adjustments in case of changes in the market conditions, raw material and delivery costs, etc., and may be subject to further negotiation between the parties.

(2) We only offer DDP terms to an insignificant number of customers in the US.

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of any of our sales framework agreements with our customers.

Other manufacturer customers typically place purchase orders with us directly without entering into sales framework agreements.

	For the year ended 31 December		
	2022	**2023**	**2024**
Number of customers (on group basis) that entered into sales framework agreements with us	24	22	25
Total revenue attributable from customers that entered into sales framework agreements with us *(RMB'000)*	423,745	232,679	197,008
Percentage of our Group's total revenue for the relevant year *(%)*	55.6	52.1	34.6

The percentage of revenue attributable from customers that entered into sales framework agreements with us remained stable during the two years ended 31 December 2023. The decrease in percentage of revenue attributable from customers that entered into sales framework agreements with us in FY2024 was mainly due to (i) the decrease in sales volume to our American Beverage Customer as it reduced its stockpiled inventory; (ii) the increase in proportion of our sale of food-grade glycine exported to the US, which accounted for approximately 4.0%, 6.4% and 17.3% of our total revenue for each of FY2022, FY2023 and FY2024, respectively, and that our sale of food-grade glycine exported to the US was not derived from sales framework agreements; (iii) the increase in proportion of our revenue attributable from Other Wholesalers, where our Other Wholesalers customers typically place purchase orders with us directly without entering into sales framework agreements; and (iv) the fact that to the best of our Directors' knowledge, in view of market uncertainty, our customers inclined not to enter into sales framework agreements with us.

Subsequent to the Track Record Period and as at the Latest Practicable Date, our Group maintained its business relationship with our American Beverage Customer and it is expected that the business relationship with our American Beverage Customer will continue in the future.

The following table sets out the movement in the number of our manufacturer customers (on group basis) during the Track Record Period:

	For the year ended 31 December		
	2022	**2023**	**2024**
Number of manufacturer customers (on group basis) at the beginning of the year	39	51	59
Additional manufacturer customers (on group basis) which purchased our products during the year and did not purchase our products in prior year	25	29	24
Prior year manufacturer customers (on group basis) which did not purchase from us during the year*(Note)*	(13)	(21)	(22)
Number of manufacturer customers (on group basis) at the end of the year	51	59	61

Note: Whether our manufacturer customers place purchase orders with us would depend on their production requirements and schedule, which may vary from time to time subject to market conditions.

The following table sets out the movement in the number of our Designated Wholesalers customers (on group basis) during the Track Record Period:

	For the year ended 31 December		
	2022	**2023**	**2024**
Number of Designated Wholesalers customers (on group basis) at the beginning of the year	16	19	13
Additional Designated Wholesalers customers (on group basis) which purchased our products during the year and did not purchase our products in prior year	5	2	4
Prior year Designated Wholesalers customers (on group basis) which did not purchase from us during the year	(2)	(8)	(5)
Number of Designated[*(Note)*] Wholesalers customers (on group basis) at the end of the year	19	13	12

Note: Our Designated Wholesalers customers place purchase orders with us on behalf of our relevant manufacturer customers, which would depend on the production requirements and schedule of the relevant manufacturer customers and may vary from time to time subject to market conditions.

Other Wholesalers

During the Track Record Period, approximately 21.6%, 31.8% and 51.8% respectively of our revenue was derived from our Other Wholesalers customers.

According to the CIC Report, since Other Wholesalers generally have conducted businesses with local manufacturers in their respective regions for many years, they usually have more bargaining power when dealing with local manufacturers and are more experienced in sales strategies. As such, it would be a good solution for our Group to sell our products to Other Wholesalers if we want to enter into new markets quickly. It is our business strategy to establish strategic business relationships with Other Wholesalers to enter into their local markets by taking advantage of their local connections.

Our Other Wholesalers customers typically place purchase orders with us directly without entering into long-term agreements. To the best of our Directors' knowledge, our Other Wholesalers customers would normally place purchase orders with us after they gathered purchase orders from their customers.

So far as our Directors are aware of, our Other Wholesalers customers typically would not disclose the identities of their customers to us in order to avoid leakage of their trade secrets. Nevertheless, through our communications with our Other Wholesalers customers and market information available to our Directors, we understand that our manufacturer customers will not purchase our products from our Other Wholesalers customers as they have direct relationship with us (or through the Designated Wholesalers), and it would not be necessary for them to purchase our products indirectly. As such, we believe we are able to avoid any onward sale of our products from our Other Wholesalers customers to our manufacturer customers or our Designated Wholesalers customers. So far as our Directors are aware of, there are no overlapping customers between our customers and customers of our Other Wholesalers customers.

We do not (i) impose any minimum purchase obligation on our Other Wholesalers customers; or (ii) have control over our Other Wholesalers customers. Our Other Wholesalers customers are not entitled to return unsold goods to us except for malfunction or manufacturing defect in our products, and in such case, return will be considered on a case by case basis.

During the Track Record Period and as at the Latest Practicable Date, to the best knowledge of our Directors, all of our Other Wholesalers customers are Independent Third Parties and except for the business relationship, there is no past and present relationships (including, without limitation, family, employment, financial or otherwise) between (a) our Other Wholesalers customers; and (b) our Company and its subsidiaries, and the shareholders, directors, senior management of our Company and its subsidiaries or their respective associates.

The following table sets out the movement in the number of our Other Wholesalers customers on group basis during the Track Record Period:

	For the year ended 31 December		
	2022	**2023**	**2024**
Number of Other Wholesalers customers (on group basis) at the beginning of the year	106	99	111
Additional Other Wholesalers customers (on group basis) which purchased our products during the year and did not purchase our products in prior year	30	38	77
Prior year Other Wholesalers customers (on group basis) which did not purchase from us during the year*(Note)*	(37)	(26)	(42)
Number of Other Wholesalers customers (on group basis) at the end of the year	99	111	146

Note: To the best of our Directors' knowledge, our Other Wholesalers customers place purchase orders with us normally based on purchase orders gathered from their customers, which may vary from time to time subject to market conditions and the business needs of their customers.

Sale to our five largest Other Wholesalers customers in each year during the Track Record Period amounted to approximately RMB100.2 million, RMB104.3 million and RMB220.8 million, representing approximately 13.2%, 23.3% and 38.8% of our total revenue respectively, and sale to our largest Other Wholesalers customer in each year during the Track Record Period amounted to approximately RMB40.3 million, RMB44.9 million and RMB98.6 million, representing approximately 5.3%, 10.0% and 17.3% of our total revenue respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material cancellation of orders from our customers.

Our five largest customers

Sale to our five largest customers in each year during Track Record Period amounted to approximately RMB428.9 million, RMB241.4 million and RMB316.7 million, representing approximately 56.2%, 53.9% and 55.6% of our total revenue respectively, and sale to our largest customer in each year during Track Record Period accounted for approximately 22.9%, 16.5% and 17.3% of our total revenue, respectively. All of our five largest customers in each year during the Track Record Period are Independent Third Parties and none of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these customers.

The following tables set out certain information about our five largest customers in each year during the Track Record Period:

For the year ended 31 December 2022

Customer	Revenue *(RMB'000)*	Percentage of our Group's total revenue	Major products purchased	Customer type	Background of customer[(1)]	Location of headquarters	Business relationship with our Group since	Credit term
Members of American Beverage Customer	174,548	22.9%	Sucralose	Manufacturer	Our American Beverage Customer is a world-renowned multinational corporation established in 1892, headquartered in the U.S. and listed on the NYSE, with the main business in manufacturing one of the world's most popular carbonated beverages	The United States	2016	60-120 days
Members of Swiss Food and Beverage Customer	125,255	16.4%	Food-grade glycine	Manufacturer	Our Swiss Food and Beverage Customer is a world-famous multinational corporation established in 1867, headquartered in Switzerland and listed on the SWX, with the main business in manufacturing baby food, medical nutrition, pet food, packaged drinking water and coffee. Its world-famous products include but not limited to its branded coffee, chocolate and cereals	Switzerland	2006	30-90 days
Customer A	58,069	7.6%	Industrial-grade glycine	Manufacturer	Customer A includes (i) a limited liability company established in the PRC in 2007 and a manufacturer of pesticides with a registered capital of approximately RMB827 million; and (ii) its wholly-owned subsidiary, which is a limited liability company established in the PRC in 2009 and a wholesaler of pesticides with registered capital of RMB205 million	The PRC	2020	Payment against invoice
Customer B	40,272	5.3%	Sucralose	Other Wholesaler	A limited liability company established in the PRC in 2018 and a wholesaler of food additives including salt and condiments with registered capital of RMB2 million	The PRC	2018	Payment against invoice
Customer C	30,718	4.0%	Food-grade glycine	Designated Wholesaler	A limited liability company incorporated in the United States in 2002, a subsidiary of one of the world's largest distributors of functional ingredients and a provider of integrated solutions such as nutrient premixes and particle management services, which is owned by a company listed on the Tokyo Stock Exchange	The United States	2022[(2)]	Payment against invoice

Notes:

(1) Background and location of headquarters of our customers are based on our Directors' knowledge.

(2) Based on our Directors' knowledge, Customer C, which is based in the United States, is a subsidiary of one of the world's largest distributors of functional ingredients and a provider of integrated solutions such as nutrient premixes and particle management services (the "**International Distributor**"). We commenced business relationship with Customer C, our Designated Wholesalers customer, in FY2022, as our Swiss Food and Beverage Customer designated Customer C to place purchase orders with us for their business needs in the United States. Prior to FY2022, we did not have any business relationship with Customer C but we commenced business relationship with another subsidiary of the International Distributor in 2011.

For the year ended 31 December 2023

Customer	Revenue *(RMB'000)*	Percentage of our Group's total revenue	Major products purchased	Customer type	Background of customer[1]	Location of headquarters	Business relationship with our Group since	Credit term
Members of Swiss Food and Beverage Customer	73,857	16.5%	Food-grade glycine	Manufacturer	Our Swiss Food and Beverage Customer is a world-famous multinational corporation established in 1867, headquartered in Switzerland and listed on the SWX, with the main business in manufacturing baby food, medical nutrition, pet food, packaged drinking water and coffee. Its world-famous products include but not limited to its branded coffee, chocolate and cereals	Switzerland	2006	60-90 days
Members of American Beverage Customer	70,941	15.9%	Sucralose	Manufacturer	Our American Beverage Customer is a world-renowned multinational corporation established in 1892, headquartered in the U.S. and listed on the NYSE, with the main business in manufacturing one of the world's most popular carbonated beverages	The United States	2016	60-180 days
Customer D	44,913	10.0%	Sucralose	Other Wholesaler	A company incorporated in the United States in 2021 and a wholesaler principally engaged in the sale of sucralose	The United States	2021	150 days
Customer E	28,806	6.4%	Food-grade glycine	Other Wholesaler	A company incorporated in the United States in 2023 and a wholesaler principally engaged in the sale of glycine	The United States	2023[2]	30-180 days
Members of American Snacks Customer	22,904	5.1%	Sucralose	Manufacturer	Our American Snacks Customer is a world-renowned multinational corporation established in 2012, headquartered in the U.S. and listed on the NASDAQ, with the main business in manufacturing snacks, biscuits, chocolates, gum, etc.. Its world-famous products include but not limited to its branded chocolate chip cookies, breakfast biscuits and milk chocolate bar	The United States	2016	60-180 days

Notes:

(1) Background and location of headquarters of our customers are based on our Directors' knowledge.

(2) We became acquainted with the business owner of Customer E (the "**Business Owner**") in around 2014 in a trade show in the United States. At the relevant time, Customer E was not established and the Business Owner was working for other companies in the industry. Based on our Directors' knowledge, the Business Owner has accumulated long-standing business connections and industry knowledge through his participations in other companies in the industry throughout the years, and he established certain companies in the recent years, including Customer E. Although Customer E was established in 2023, Customer E possesses the relevant local connections in the United States leveraging on the long-standing business connections and experience of the Business Owner. During the Track Record Period, we aimed to sell more food-grade glycine to customers in the United States. In order to expand our sales in the United States, it was our business strategy to establish strategic business relationships with Other Wholesalers to enter into their local markets by taking advantage of their local connections. Accordingly, considering the Business Owner's local connections in the United States, we commenced business relationship with Customer E in FY2023 to promote the sale of our food-grade glycine in the United States. To the best of the Directors' knowledge, the end customers of Customer E are mainly located in the USA in the pet food and nutraceutical industries.

For the year ended 31 December 2024

Customer	Revenue *(RMB'000)*	Percentage of our Group's total revenue	Major products purchased	Customer type	Background of customer[(1)]	Location of headquarters	Business relationship with our Group since	Credit term
Customer E	98,604	17.3%	Food-grade glycine	Other Wholesaler	A company incorporated in the United States in 2023 and a wholesaler principally engaged in the sale of glycine	The United States	2023	180 days
Customer D	80,363	14.1%	Sucralose	Other Wholesaler	A company incorporated in the United States in 2021 and a wholesaler principally engaged in the sale of sucralose	The United States	2021	150 days
Members of Swiss Food and Beverage Customer	64,332	11.3%	Food-grade glycine	Manufacturer	Our Swiss Food and Beverage Customer is a world-famous multinational corporation established in 1867, headquartered in Switzerland and listed on the SWX, with the main business in manufacturing baby food, medical nutrition, pet food, packaged drinking water and coffee. Its world-famous products include but not limited to its branded coffee, chocolate and cereals	Switzerland	2006	Prepayment; 60-120 days
Customer A	51,784	9.1%	Industrial-grade glycine	Manufacturer	Customer A includes (i) a limited liability company established in the PRC in 2007 and a manufacturer of pesticides with a registered capital of approximately RMB827 million; and (ii) its wholly-owned subsidiary, which is a limited liability company established in the PRC in 2009 and a wholesaler of pesticides with registered capital of RMB205 million	The PRC	2020	7-30 days
Members of American Beverage Customer	21,570	3.8%	Sucralose	Manufacturer	Our American Beverage Customer is a world-renowned multinational corporation established in 1892, headquartered in the U.S. and listed on the NYSE, with the main business in manufacturing one of the world's most popular carbonated beverages	The United State	2016	120 days

Note:

(1) Background and location of headquarters of our customers are based on our Directors' knowledge.

Our Group's sales payments are mainly denominated in US dollar, RMB or Euro. Set out below are the standard terms contained in the purchase orders from our customers:

Product description	:	Description of the product including the product specifications and packaging requirements
Order details	:	The quantity, unit price and the total amount
Delivery terms	:	A wide-range of delivery terms are provided, mainly FOB, FCA, CIF and DDP *(Note)*
Delivery details	:	Delivery date and delivery location
Payment term	:	Generally due within 30 to 180 days of invoice date

Note: We only offer DDP terms to an insignificant number of customers in the US.

Pricing policy

We determine our pricing policy to our customers mainly based on market conditions, market price, cost of production and profit margin. When there is material fluctuation in (i) the market condition and/or market price of our products; and/or (ii) our cost of production, we would convene multi-department meeting(s), including sales and marketing and finance departments, to discuss whether our selling price should be adjusted. In the event that it is concluded that our selling price should be adjusted after having comprehensive consideration on multiple factors set out in our pricing policy, the adjusted selling price would be approved by our general manager.

In addition, from time to time, certain manufacturer customers would be willing to pay a higher price, having considered (1) their respective long-term relationship with us whereby trust and loyalty are reflected in the pricing; and (2) it is important for such customers to mitigate the risk of tariffs and international trade policies in order to ensure the stable supply of food-grade glycine from their manufacturer suppliers. In terms of delivery terms, we offer a wide-range of delivery terms, mainly FOB, FCA, CIF and DDP terms, to our customers. DDP terms are offered to our overseas customers where we are responsible for arranging for transportation and associated costs including export clearance and customs documentation required to reach the destination port requested by our overseas customers. As we are responsible for arranging for transportation and associated costs under DDP terms, our pricing to customers which opt for DDP terms are higher than that of customers which opt for FOB, FCA or CIF terms.

We did not adopt hedging policies or other alternative price controls in respect of the fluctuations in the prices of raw materials, sucralose or glycine we procured from our suppliers during the Track Record Period and up to the Latest Practicable Date, as we have adopted a series of measures to improve our resilience to such price fluctuations. For further details of such measures, please refer to the paragraph headed "Our suppliers — Procurement policies" in this section below.

Credit period and settlement method

The credit period we provided to our customers is subject to various factors, including their scale of operation, quality of management, length of business relationship with us, industry position and credit history. We generally offer our customers credit periods up to 180 days. Our customers in the PRC are required to settle the payments with us in RMB. Our international customers mainly settle our payments in U.S. dollars or Euro.

Seasonality

Considering the diverse locations of our customers all over the world and the wide-range of industries which our products could be applied to, our Directors consider that sale of our products is generally not subject to seasonal fluctuations from an overall perspective.

Delivery and logistics

As at the Latest Practicable Date, we had warehouses in the PRC, Thailand and Indonesia.

The following table sets out our revenue breakdown by geographical regions during the Track Record Period:

	For the year ended 31 December					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Europe	244,599	32.1	163,297	36.5	119,182	20.9
North America	70,672	9.3	82,133	18.4	233,786	41.1
Asia (excluding Mainland China)	97,912	12.9	69,988	15.7	55,149	9.7
Mainland China	131,945	17.3	67,253	15.0	116,445	20.5
South America	102,038	13.4	37,687	8.4	28,509	5.0
Africa	95,433	12.5	20,445	4.6	8,910	1.6
Oceania	18,900	2.5	6,135	1.4	6,886	1.2
Total	761,499	100.0	446,938	100.0	568,867	100.0

We offer a wide-range of delivery terms, mainly FOB, FCA, CIF and DDP terms, to our customers. DDP terms are offered to our overseas customers where we are responsible for arranging for transportation and associated costs including export clearance and customs documentation required to reach the destination port requested by our overseas customers.

We generally engage third party logistics service providers to deliver products from our production plants or warehouses to the ports or locations designated by our customers. We select logistics service providers based on, among others, their relevant qualifications, scale of operation and track record. We usually enter into agreements with our logistics service providers on an annual basis under standardised terms and conditions. Our logistics service providers will be liable for any delay of delivery and loss in transit.

As advised by our legal advisers as to the laws of the PRC, Thailand, Indonesia, Netherlands, we have complied with the applicable laws and regulations and have obtained the necessary approvals/licences relating to our Group's exports.

Anti-dumping duties

Subsequent to the Track Record Period and as at the Latest Practicable Date, the US government introduced (i) the US 2025 IEEPA Tariff on goods from various countries including the PRC, where all goods exported from the PRC to the US would be subject to an additional 20% tariff in total, with a few exceptions; and (ii) the US Reciprocal Tariff on goods from various countries including the PRC, Indonesia and Thailand, where all goods exported to the US from (a) the PRC would be subject to an additional 34% tariff (paused for 90 days and subject to a 10% tariff instead from 14 May 2025); (b) Indonesia would be subject to an additional 32% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025); and (c) Thailand would be subject to an additional 36% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025), with a few exceptions (including sucralose, which is not subject to any reciprocal tariff as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025). For further details regarding the US tariff on our products and its impact on our Group, please refer to the paragraph headed "Analysis of impact of the U.S. tariff on our Group" in this section and the sections headed "Summary — U.S. tariff on our products" and "Regulatory overview — U.S. laws and regulations" in this document.

As advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from the PRC to the US is subject to the General Glycine Tariff and the Additional Glycine Tariff.

In order to diversify the risk brought by extra tariff imposed by the United States, we produce food-grade glycine in our Indonesia Plant and export our food-grade glycine to our customers in the United States from Indonesia. In great contrast, as advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from Indonesia to the US is subject to the General Glycine Tariff, which is applicable to our food-grade glycine exported from Indonesia to the United States. This has demonstrated our competitive edge in diversifying risks brought by geopolitical conflicts and trade barriers. Whether our customers in the US or our Group are/is responsible for paying for the General Glycine Tariff for our overseas sales of food-grade glycine depends on the shipment arrangement agreed between the relevant customer and us. Nevertheless, in light of (i) the General Glycine Tariff and the Additional Glycine Tariff imposed on food-grade glycine exported from the PRC to the US, as compared to the General Glycine Tariff imposed on food-grade glycine exported from Indonesia to the US; and (ii) our

customers in the US are generally willing to mitigate the risk of international trade policy in order to ensure the stable supply of food-grade glycine, our Directors believe that we, as a glycine manufacturer that sell glycine manufactured outside the PRC to customers in the US, have a bargaining power to set higher selling prices for sale of glycine to customers in the US. Accordingly, the average selling price of our food-grade glycine for overseas sales is generally higher than that for export and domestic sales.

As advised by our legal advisers as to anti-dumping law, during the Track Record Period, our sucralose exported from China to our customers in the United States are subject to general tariff rate of 3.7% *ad valorem*. Similar to food-grade glycine, whether our customers in the US or our Group are/is responsible for paying for such general tariff for our sale of sucralose from the PRC depends on the shipment arrangement agreed between the relevant customer and us. We would adjust the selling price if it is agreed between our customers and us that we would be responsible for such general tariff. Therefore, the average selling price of our sucralose for export sales is generally higher than that for domestic sales.

Analysis of impact of the U.S. tariff on our Group

Subsequent to the Track Record Period, the US government has introduced several rounds of tariffs on goods exported to the US from various countries, which have had or would have impact on the whole US import market. The Company will monitor the latest policies on tariff of the US government closely and discuss with its customers to respond to the changes in the US tariff.

Based on the current development, our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that although the US tariff would have impact on the whole US import market, our business operation and financial performance might not be materially and adversely affected by the US 2025 IEEPA Tariff and the US Reciprocal Tariff at this stage based on the following factors:

(a) during the Track Record Period and up to the Latest Practicable Date, we only exported our food-grade glycine that was produced at our Indonesia Plant to our customers in the US. Our revenue derived from the sale of food-grade glycine manufactured in Indonesia and exported to customers in the US amounted to approximately 4.0%, 6.4% and 17.3% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. Goods exported from Indonesia are only subject to the General Glycine Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) as at the Latest Practicable Date, and as confirmed by CIC, (i) the selling price of our food-grade glycine produced at our Indonesia Plant, after taking into account the US Reciprocal Tariff (as at the Latest Practicable Date, 10%), is approximately RMB36,600 per ton, and due to our geographical advantage and long-standing industry experience, it would still be lower than that of food-grade glycine manufactured by our major competitors that are mainly located in the US and India, which ranges from approximately RMB40,000 per ton to approximately RMB70,000 per ton; and (ii) the production capacity of other glycine manufacturers are generally limited and the customers will still need to rely

on manufacturers with stable and sufficient production capacity like our Group to obtain sufficient volume of food-grade glycine, our sale of food-grade glycine to customers in the US would not be adversely affected by the introduction of the US 2025 IEEPA Tariff and the US Reciprocal Tariff based on the current development;

(b) our revenue derived from the sale of sucralose manufactured in the PRC and exported to customers in the US amounted to approximately 5.0%, 11.6% and 17.9% of our total revenue for each of FY2022, FY2023 and FY2024, respectively, whereas our revenue derived from the sale of sucralose manufactured in Thailand and exported to customers in the US amounted to Nil, Nil and approximately 2.5% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. According to CIC, the sales volume of sucralose produced in the PRC accounted for over 80% of the global sales volume of sucralose in 2024. As such, customers in the US face limited options for alternative sucralose suppliers. In the event that it is agreed between our customers and us that we would be responsible for such additional tariff, we believe we have bargaining power to adjust the selling price thereof. In addition, as the market selling price of sucralose manufactured outside the PRC is generally higher than that of sucralose manufactured in the PRC, even if we are required to increase our selling price of sucralose manufactured in the PRC for the US 2025 IEEPA Tariff, we believe that our selling price would still be lower than that of sucralose manufactured outside the PRC. Our Directors are of the view that the introduction of the US 2025 IEEPA Tariff on Chinese sucralose (if applicable) would not adversely affect our overall business operations and financial performance based on the current development;

(c) we only offer DDP terms to an insignificant number of customers in the US. We are responsible for export clearance and associated costs including tariffs, such as the US 2025 IEEPA Tariff and/or the US Reciprocal Tariff, only if DDP terms are offered to our customers in the US, where the price for our products would have taken into account the effect of tariffs, whereas the same is borne by the relevant customer if other delivery terms, such as FOB and CIF, are offered. However, during the Track Record Period and up to the Latest Practicable Date, (i) we only exported our food-grade glycine that was produced at our Indonesia Plant to our customers in the US; (ii) for sale of our food-grade glycine produced at our Indonesia Plant and sale of our sucralose produced at our Thailand Plant exported to the US, no DDP terms were offered to any of our US customers; and (iii) for sale of our sucralose produced in the PRC exported to the US, the revenue derived from sales with DDP terms only contributed to 1.4%, 1.6% and 0.1% of the total revenue during the Track Record Period. For customers to which we offer DDP terms, we are in the process of negotiating a price adjustment with such customers, which have expressed their willingness to negotiate the same, to reflect the effect of the tariff on such price;

(d) the demand for our products is relatively stable, given that (i) our end customers are mostly manufacturers in industries such as food and beverages, pet food and confectionery and snacks, which use our products as part of the raw materials for the production of their own products, which are consumer goods with a solid demand; and (ii) we have stable and long-lasting business relationships with our customers, with certain reputable multinational corporations having approximately 10 to 20 years of business relationship with our Group, our Directors believe that the US 2025 IEEPA Tariff and the US Reciprocal Tariff would not have a significant impact on our customers' orders based on the current development. Subsequent to the Track Record Period and as at the Latest Practicable Date, we had not experienced any cancellation of orders from our customers, and none of our customers had requested a change in delivery terms to DDP so as to transfer the risk of potential further increase in tariffs to us in the future;

(e) we mitigate the risk of the US 2025 IEEPA Tariff on Chinese goods by offering option to our customers in the US to procure sucralose manufactured at our Thailand Plant, instead of sucralose manufactured at our Ji'an Plant. As at the Latest Practicable Date, our Thailand Plant has a designed annual production capacity of approximately 500 tons of sucralose. We believe that we would be able to satisfy our overseas customers' demand in the event that they opt for sucralose manufactured at our Thailand Plant; and

(f) according to the CIC Report, we were the only PRC food-grade glycine manufacturer and the only PRC sucralose manufacturer with overseas production plant among the top five PRC food-grade glycine manufacturers and the top five PRC sucralose manufacturers as at 31 December 2024.

Product recall and after-sales services

We have an established product recall policy. Our quality control system strives to readily identify and locate defective batches of products in case of product recalls. Upon being aware that some of our products may be contaminated or defective, we will evaluate the necessity for a product recall. If there is a need for product recall, we will promptly inform the relevant customers and follow-up with the relevant customers to ensure a successful and effective product recall.

Our customers are generally not allowed to return or exchange products except for contaminated or defective products or products that do not meet the specifications. During the Track Record Period and up to the Latest Practicable Date, there were no material product recalls or product returns from our customers. We did not record any provision for product warranties during the Track Record Period. Our sales team is responsible for handling enquiries and complaints from customers, and to deal with such enquiries and complaints with prompt remedial measures. During the Track Record Period and up to the Latest Practicable Date, we have not received any material customer complaints on product quality.

In the event of food/product safety incidents regarding our production and sale in (i) the PRC, which may include product quality issues, adulterated products and other non-compliance with the relevant food/product safety regulations, we may be subject to civil liability (such as compensation for damages), administrative liability (such as cessation of production and sales activities) and criminal liability (such as imprisonment and fines); (ii) Indonesia, which may include unauthorised sale of imported materials and other non-compliance with the relevant food/product safety regulations, we may be subject to administrative actions ranging from a warning letter to the revocation of licences; and (iii) Thailand, which may include the selling of misbranded food products, misconduct or negligence, recall of unsafe product, and other non-compliance with the relevant food/product safety regulations, we may be subject to criminal liability, administrative penalty and civil compensation in Thailand, including imprisonment or fines, or both, depending on the severity of the offence.

SALES TO REGIONS WITH INTERNATIONAL SANCTIONS EXPOSURE

A number of our customers are reputable multinational cooperations with whom we have approximately 10 to 20 years of business relationship. These customers have global operations and naturally we have expanded the business relationship to support their demands for our products outside of China, including the Identified Regions, namely, Egypt, Guatemala, Hong Kong, Russia (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson) and Turkey. For example, in the case of Russia, our sale commenced since 2004. During the Track Record Period, we continued to sell sucralose and food-grade glycine to customers located in the Identified Regions for human food and pet food purposes. The Relevant Jurisdictions have, through executive orders, legislation or other government means, implemented measures that impose economic sanctions against certain countries and their governments, or against targeted industry sectors, groups of companies or persons, and/or organisation within such countries. As advised by our International Sanctions Legal Advisers, none of the Identified Regions are subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction. However, all of these regions are subject to certain forms of International Sanctions programmes administered by the Relevant Sanctions Authorities.

Our revenue generated from the sale to the Identified Regions amounted to approximately RMB109.1 million, RMB52.6 million and RMB35.0 million, respectively, representing approximately 14.3%, 11.8% and 6.2% of our total revenue for the three years ended 31 December 2022, 2023 and 2024, respectively.

Sales arrangements to Identified Regions

Sale to Russia

During the Track Record Period, our Group sold sucralose and food-grade glycine for human food and pet food purposes to 10 customers located in Russia. Among these customers, we sold directly to (i) three manufacturer customers, including the Swiss Food and Beverage Customer and the American Confectionery Customer; and (ii) seven Designated Wholesalers designated by the American Snacks Customer and the American Confectionery Customer, which are the end users of our products sold by these Designated Wholesalers. For sales made through our Designated Wholesalers by our American Snacks Customer and our American Confectionery Customer, they typically entered sales framework agreements with us, which generally specified the unit price and the forecast sales amounts of our products, and then our Designated Wholesalers placed separate orders with us. Among these seven Designated Wholesalers, all of them on-sold our products to our American Snacks Customer and our American Confectionery Customer, while one of them also started to on-sell a small amount of our products to other customers in Russia since 2023. With respect to sale to other customers in Russia, such Designated Wholesaler has confirmed that (i) the products of our Group have not been sold to the Sanctioned Countries; and (ii) all products of our Group were only sold within Russia (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson).

Our sale to Russia were primarily denominated in USD, with the rest denominated in RMB. We received payments directly from the manufacturer customers when the sales were made directly to manufacturers or from our Designated Wholesalers when the sales were made through wholesalers. Our sale to Russia were generally authorised and signed by an executive Director who is a U.S. Person as defined under U.S. sanctions law.

Our revenue generated from the sale to customers located in Russia amounted to RMB89.1 million, RMB31.9 million and RMB22.3 million, representing approximately 11.7%, 7.1% and 3.9% of our total revenue for the three years ended 31 December 2022, 2023 and 2024, respectively.

Sale to Identified Regions other than Russia

During the Track Record Period, we also sold sucralose and food-grade glycine for human food and pet food purposes to seven customers located in Egypt, Guatemala, Hong Kong and Turkey. Specifically, we sold our products directly to (i) three manufacturer customers in Egypt and Guatemala, which are our American Beverage Customer, our American Snacks Customer and our American Oral Care Products Customer, (ii) two Designated Wholesalers in Turkey which is designated by our American Snacks Customer, and (iii) two Other Wholesalers in Hong Kong. Each of the Other Wholesalers has confirmed to us that the products of our Group have not been sold to the Sanctioned Countries nor Sanctioned Targets.

Our revenue generated from the sale to purchasers located in Egypt, Guatemala, Hong Kong and Turkey amounted to RMB19.9 million, RMB20.7 million and RMB12.7 million, representing approximately 2.6%, 4.6% and 2.2% of our total revenue for the three years ended 31 December 2022, 2023 and 2024, respectively.

Sanctions risks analysis

U.S. sanctions risks

While the U.S. has imposed sweeping sanctions measures targeting Russia, OFAC has issued general licences to ensure humanitarian aid and essential supplies can still flow into Russia despite of the sanctions. On 24 February 2022, the OFAC issued General License No. 6, which has since been superseded and replaced with subsequent general licences and the current one in force is General License No. 6D issued in June 2024. General License No. 6D authorises, among other activities, transactions otherwise prohibited by the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587, related to the production, manufacturing, sale, transport, or provision of agricultural commodities.

For the purposes of these general licences, agricultural commodities are products that fall within the term "agricultural commodity" as defined in section 102 of the Agricultural Trade Act of 1978 (7 U.S.C. 5602) and are intended for use as, among other things, food for humans (including raw, processed, and packaged foods; live animals; vitamins and minerals; food additives or supplements; and bottled drinking water) or animals (including animal feeds). As our products sold to Russia and the other Identified Regions are sucralose and food-grade glycine, which are food additives and were being sold for human food and pet food purposes, they fall within the scope of General License No. 6D.

In addition, we have confirmed that:

a. save for one subsidiary in the U.S. (which has been disposed by our Group on 8 December 2021), our Company and all of our Group's entities were domiciled and incorporated outside of the U.S. and we did not own, control or maintain branches or affiliates which are incorporated, domiciled or otherwise located in the U.S.;

b. we have long-term existing relationship with the manufacturers in Russia and other Identified Regions; to the extent the sales were made directly to manufacturers and through Designated Wholesalers to manufacturers with whom we have business relationships, none of the manufacturers and Designated Wholesalers are Sanctioned Targets to our best knowledge, and based on the further due diligence and screening conducted by our International Sanctions Legal Advisers, none of our counterparty customers during the Track Record Period are on the SDN list or other restricted parties lists maintained by OFAC;

c. to the extent our products were sold by a Designated Wholesaler (which on-sold a small amount of our products to other customers) in Russia and other Identified Regions to customers with whom we do not have existing relationship, we have obtained confirmations from such wholesalers as described above;

d. neither our Company nor any of our Group companies was designated on the SDN list or other restricted parties lists maintained by OFAC;

e. none of our shareholders and, to the best of our knowledge after due inquiry, none of our beneficial owners was located in Sanctioned Countries or was on the SDN List or other restricted parties lists maintained by OFAC; in addition, based on due diligence and screening conducted by our International Sanctions Legal Advisers, there is no indication to suggest that our direct shareholders and our ultimate beneficial owners who own 1% interest or more in our Company is on the SDN List or other restricted parties lists maintained by OFAC;

f. our Company is not owned 50% or more, or controlled by one or more U.S. Persons;

g. no financing or financial assistance was received by the Group, either directly or indirectly, from any company, entity or body incorporated or located in the U.S. was used (either directly or indirectly) in our business dealings with the Identified Regions;

h. save for one of our executive Directors who is a U.S. Person, none of the directors, supervisors or senior management of our Company is U.S. Persons, and except for this executive Director, none of the U.S. employees of our U.S. subsidiary prior to its disposal has been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, or in any wider decision-making capacity, with respect to any of our business dealings in Russia and the other Identified Regions; and

i. none of our sucralose and food-grade glycine sold to Russia has U.S. origin or content.

Based on the above, our International Sanctions Legal Advisers have advised us that our sales to counterparties in Russia and other Identified Region during the Track Record Period did not constitute U.S. Primary Sanctioned Activities despite of the use of USD and involvement of executive Director who is a U.S. Person, nor do they constitute U.S. Secondary Sanctionable Activities to give rise to material U.S. secondary sanctions risks taking into account of the considerations that (i) the U.S. government has clarified that the U.S. has not imposed sanctions on the production, manufacturing, sale, or transport of agricultural commodities (which explicitly include food) relating to Russia to reduce the impact on global food supplies and ensure world food security; (ii) sucralose and food-grade glycine for food purposes are not contrary to any sectoral sanctions or the spirit of U.S. sanctions targeting Russia; and (iii) all the products we sold to purchasers in Russia are sucralose and food-grade glycine for human food and pet food purposes and therefore are within the scope of General License No. 6D.

E.U. sanctions risks

As (i) none of our manufacturers or wholesalers in the Identified Regions is listed as a designated entity under the E.U. sanction lists; (ii) we have obtained confirmations from the relevant wholesalers as described above; and (iii) we only sold sucralose and food-grade glycine to our purchasers in Russia and other Identified Regions, which do not involve export-controlled products, the business dealings of our Group in respect of the Identified Regions are not subject to material risk in respect of E.U. sanctions.

U.N. sanctions risks

As (i) none of our Group's manufacturers and wholesalers in the Identified Regions were at the relevant time listed as designated persons or entities in the U.N. sanctions list; (ii) we have obtained confirmations from the relevant wholesalers as described above; and (iii) all of our sales to the Identified Regions were in relation to sales of sucralose and food-grade glycine to our purchasers, which do not involve export-controlled products, our International Sanctions Legal Advisers have advised us that our business activities with manufacturers and wholesalers located in the Identified Regions are not subject to material risks in respect of U.N. sanctions.

Analysis conclusions

In summary, based on the due diligence and screening conducted by our International Sanctions Legal Advisers on our counterparties during the Track Record Period, none of our manufacturer customers, Designated Wholesalers and Other Wholesalers located in the Identified Regions are Sanctioned Targets.

Based on the facts and our confirmations set out above, our International Sanctions Legal Advisers have further advised that during the Track Record Period and up to the Latest Practicable Date, our business activities in the Identified Regions did not violate applicable sanctions laws of the Relevant Jurisdictions that are material to our Group's business and do not constitute sanctioned activates that would give rise to material sanctions risks under the Guide for New Listing Applicants.

Our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that our business activities in the Identified Regions are not subject to any material international sanction risks given that (i) as advised by our International Sanctions Legal Advisers, our business activities in the Identified Regions did not violate applicable sanctions laws of the Relevant Jurisdictions that are material to our Group's business, and we had not been notified that any International Sanctions penalties would be imposed on us for our historic business activities; and (ii) we have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address International Sanctions risks.

Sanctions compliance measures

Subject to our continued compliance with our internal control measures regarding International Sanctions, we intend to continue business dealings with manufacturers and wholesalers in the Identified Regions after [**REDACTED**].

In order to minimise our International Sanctions risks that may arise from our business dealings with counterparties in the Identified Regions and other overseas countries, and to protect the interest of our Group and our Shareholders, we have adopted the following enhanced internal control and risk management measures:

- enhancing our new business intake procedures, including conducting Know-Your-Client due diligence before conducting business with new customers and suppliers, reviewing the background information (such as identity and nature of business as well as ownership structure) of counterparties to the transaction, reviewing draft business transaction documentation;

- carrying out on-boarding screening procedures as well as on-going screening on an as needed basis to check the counterparties against the various lists of restricted parties and countries maintained by the Relevant Sanctions Authorities, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and is otherwise subject to sanctions;

- where feasible, adding contractual protection clauses (such as representations, indemnity, and termination rights in the event of a breach) in our contracts with counterparties to prevent them from re-selling our products to Sanctioned Countries and/or Sanctioned Targets, or request a separate confirmation from counterparties, confirming that our Group's products will not be exported or re-exported, directly or indirectly, outside of the country where our products are sold, to any Sanctioned Country and/or Sanctioned Target;

- monitoring the procurement process, including information regarding the origin of the goods to make sure our supplies are not subject to export control, or are not produced by any Sanctioned Target, or otherwise originated in a Sanctioned Country;

- establishing a sanctions compliance committee ("**Sanctions Compliance Committee**") being the governance body to assist our Board on sanctions compliance efforts, which include, among other things, assessing and monitoring the sanctions risks of our Group, formulating sanctions compliance policies and related implementation measures, periodic review of our sanctions compliance polices and evaluating their effectiveness and adequacy, supervising the implementation of the sanctions compliance policies, measures and internal control procedures. The Sanctions Compliance Committee currently consists of three members, including Ms. Zuo Yue ("**Ms. Zuo**") (our executive Director) as chairman, Mr. Zheng Mo ("**Mr. Zheng**") (secretary of our Board, deputy general manager and joint company secretary of our Company) and Mr. Zhang Jiahao ("**Mr. Zhang**") (our legal affairs specialist). Mr. Zhang joined our Group in November 2023. Prior to that, Mr. Zhang worked in the legal department of several companies in the PRC. Mr. Zhang obtained a Bachelor of Laws from Jinggangshan University, the PRC in

June 2020. Please refer to the section headed "Directors, Supervisors and senior management" of this document for further details on the qualifications and experience of Ms. Zuo and Mr. Zheng. The Sanctions Compliance Committee consists of executive director, member of the senior management and legal staff of our Group, all of them are familiar with our business and operations, and together they have the financial management, internal compliance and legal experience and background to discharge their responsibilities as members of the Sanctions Compliance Committee, and therefore our Directors are of the view that they are well placed to assess and monitor the sanctions risks of our Group; and

- identifying key employees, senior management and Board members with overseas nationality to advise them of their potential International Sanctions implications under their national sanctions regimes.

Apart from the above measures, we will also be conducting periodic compliance training (before and after [**REDACTED**]) to ensure awareness of sanctions risks and timely and effective identification and reporting of actual and potential violations.

Our Directors are of the view that, and the Sole Sponsor concurs, the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to International Sanctions.

Contingency plan

In the event that the sanctions risks faced by our Group materialise, for example, if OFAC has decided to revoke Russia's General License No. 6D or the Identified Regions become subject to comprehensive embargo, as a result of which, we cannot sell any of our products to the Identified Regions, we plan to consult with our multinational corporate customers and work with them to re-allocate our existing sales to the Identified Regions to other markets such as the United States, Europe, Mexico, Chile and Brazil, which have large market capacity for sucralose and food-grade glycine.

Even if a complete cessation of business with the Identified Regions is required in the future to comply with International Sanctions and we are not able to find any substitute market to replace these sales, given the overall decreasing trend of our sale to the Identified Regions and the non-substantial amount of such sale, which accounted for approximately 6.2% of our total revenue for FY2024, our Directors are of the view that any such changes will not have any material impact on our Group's financial position and business operations.

OUR SUPPLIERS

Our suppliers mainly include raw material suppliers and utility providers.

Raw material suppliers

Our raw material suppliers are mainly located in the PRC and Indonesia which supply raw materials to us for our production, such as ethanoic acid and liquid ammonia for our production of glycine, and sucrose and DMF for our production of sucralose.

We typically do not enter into long-term agreements with our raw material suppliers as our Directors believe that it is an industry practice for maintaining flexibility both in terms of the purchase quantity and price. Our purchases with our raw material suppliers are generally made on individual purchase orders with reference to our production plan, market conditions and inventory level. Our purchase orders for raw materials generally include product specifications, unit price, quantity, payment terms and delivery schedules.

Our suppliers are required to provide raw materials adhering to our quality requirements and specifications. We closely monitor the supply and demand conditions of raw materials and will make corresponding adjustments in our procurement plan if there is any anticipated shortage of supply or change in the prices of the raw materials.

In the second and third quarter of 2023, we experienced delay in renewing the B2 Import Approval Licence, which affected our import of raw materials for our production of food-grade glycine in our Indonesia Plant. The delay of the renewal of B2 Import Approval Licence in 2023 was caused by our change of agent whom did not assist us in renewing the licence on time. The B2 Import Approval Licence was renewed in September 2023, and was further renewed in July 2024 and April 2025, which would expire in April 2026.

Utility providers

Our utility providers provide electricity, steam, natural gas and water during our production process, which are mainly located in the PRC.

We typically enter into framework agreements with our major utility providers which generally stipulate the specifications and parameters of the utility required for the year. Our payment of utility fees is based on our actual usage of utility.

Save as disclosed above, we did not experience any material shortage or delay in the supply of raw materials or utility during the Track Record Period and up to the Latest Practicable Date.

Procurement policies

Our procurement team formulates procurement plans with reference to our production plan, market conditions and inventory level. To ensure the quality of raw

materials sourced by us, we maintain regular communications with our suppliers and may visit our suppliers, if required, to ensure that the raw materials procured by us satisfy the relevant product quality standards. We have also established a set of stringent criteria in the selection of our suppliers, which include, among others, product quality, stability of supply, cost of supply and after-sales support. We also emphasise the selection of suppliers with internationally acknowledged certifications in environmental and social risk management. According to our policy, suppliers with energy and environmental management certifications, such as ISO 50001 and ISO 14001, are given preference, reinforcing the commitment to sustainability. We also monitor suppliers through questionnaires and inspection of relevant records on-site when necessary to ensure that our suppliers use environmentally-friendly materials and processes. Local sourcing is preferred to decrease transportation emissions, and supplier engagement and training programs reinforce our commitment to environmental and social responsibility.

In respect of fluctuations in the prices of raw materials, sucralose, or glycine we procured from our suppliers, we have adopted the following measures to improve our resilience to the fluctuations:

(1) maintain frequent communications with suppliers and pursue long-term strategic cooperation with major suppliers with the aim to stabilise supply and procurement costs;

(2) closely monitor inventory level, obtain timely market information, and conduct analysis on price trend of the raw materials, sucralose, or glycine, on a day-to-day basis, to formulate efficient procurement plan and to strategically increase purchase in anticipation of increase in price and vice versa;

(3) perform regular evaluations on new and existing suppliers, where the cost of supply will be considered as one of the evaluation criteria. A list of qualified suppliers is maintained based on the above results; and

(4) increase supply channels to reduce reliance on a single supplier.

Our five largest suppliers

Purchases from our five largest suppliers in each year during the Track Record Period accounted for approximately 34.8%, 35.5% and 35.4% of our total purchase respectively, and purchases from our largest supplier in each year during the Track Record Period accounted for approximately 8.2%, 10.2% and 9.6% of our total purchase, respectively. All of our five largest suppliers in each year during the Track Record Period are Independent Third Parties and none of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these suppliers.

The following tables set out certain information about our five largest suppliers in each year during the Track Record Period:

For the year ended 31 December 2022

Supplier	Purchases *(RMB'000)*	Percentage of our Group's total purchases	Major products supplied	Supplier type	Background of supplier *(Note)*	Location of headquarters	Business relationship with our Group since	Credit/payment terms
Supplier A	33,213	8.2%	Steam	Utility provider	A state-owned enterprise established in the PRC in 2004 and a company engaging in the supply of electricity.	The PRC	2019	Prepayment
Supplier B	32,212	7.9%	Sucralose	Sucralose manufacturer	A joint stock company listed on the Shenzhen Stock Exchange with limited liability established in the PRC in 2006 and a company engaging in the manufacturing and sale of food additives with registered capital of approximately RMB570 million.	The PRC	2022	5 days after acceptance inspection
Supplier C	25,884	6.4%	Ethanoic acid, methanol, DMF	Raw materials supplier	A joint stock company with limited liability established in the PRC in 2010 and a wholesaler of chemical products with registered capital of RMB5 million.	The PRC	2018	Payment against invoice/Monthly payment within 30 days/20 days
Supplier D	25,703	6.3%	Natural gas	Utility provider	A limited liability company established in the PRC in 2014 and a company engaging in the sale of natural gas affiliated products with registered capital of RMB100 million.	The PRC	2020	Prepayment
Supplier E	24,161	6.0%	Ethanoic acid	Raw materials supplier	A limited liability company established in the PRC in 2016 and a wholesaler of chemical products with registered capital of RMB5 million.	The PRC	2017	Payment when aggregate amount of products delivered exceeds RMB2 million

Note: Background and location of headquarters of our suppliers are based on our Directors' knowledge.

For the year ended 31 December 2023

Supplier	Purchases *(RMB'000)*	Percentage of our Group's total purchases	Major products supplied	Supplier type	Background of supplier *(Note)*	Location of headquarters	Business relationship with our Group since	Credit/payment terms
Supplier A	27,335	10.2%	Steam	Utility provider	A state-owned enterprise established in the PRC in 2004 and a company engaging in the supply of electricity.	The PRC	2019	Prepayment
Supplier F	19,396	7.3%	Electricity	Utility provider	A state-owned enterprise established in the PRC in 2013 and a company engaging in the supply of electricity.	The PRC	2006	Upon receipt of payment notice
Supplier G	16,460	6.2%	Sucralose	Sucralose manufacturer	A joint stock company with limited liability established in the PRC in 2008 and a company engaging in the manufacturing and sale of food and feed additives with registered capital of RMB73.8 million.	The PRC	2023	30 days
Supplier B	16,305	6.1%	Sucralose	Sucralose manufacturer	A joint stock company listed on the Shenzhen Stock Exchange with limited liability established in the PRC in 2006 and a company engaging in the manufacturing and sale of food additives with registered capital of approximately RMB570 million.	The PRC	2022	30 days after acceptance inspection
Supplier D	15,113	5.7%	Natural gas	Utility provider	A limited liability company established in the PRC in 2014 and a company engaging in the sale of natural gas affiliated products with registered capital of RMB100 million.	The PRC	2020	Prepayment

Note: Background and location of headquarters of our suppliers are based on our Directors' knowledge.

For the year ended 31 December 2024

Supplier	Purchases *(RMB'000)*	Percentage of our Group's total purchases	Major products supplied	Supplier type	Background of supplier[(1)]	Location of headquarters	Business relationship with our Group since	Credit/payment terms
Supplier H	34,608	9.6%	Ethanoic acid, methanol and ethyl acetate	Raw materials supplier	A limited liability company established in the PRC in 2011 and a company principally engaging in the wholesaling and trading of methanol, dimethoxymethane and ethanoic acid with registered capital of RMB2 million.	The PRC	2022	45 days/Monthly payment within 30 days
Supplier A	27,383	7.6%	Steam	Utility provider	A state-owned enterprise established in the PRC in 2004 and a company engaging in the supply of electricity.	The PRC	2019	Prepayment
Supplier D	26,615	7.4%	Natural gas	Utility provider	A limited liability company established in the PRC in 2014 and a company engaging in the sale of natural gas affiliated products with registered capital of RMB100 million.	The PRC	2020	Prepayment
Supplier I	20,854	5.8%	Chloroacetic acid	Raw materials supplier	A limited liability company established in the PRC in 2008 and a company engaging in the manufacturing of chemical raw materials and eco-environmental materials with a registered capital of RMB110 million.	The PRC	2021	Payment against bill of lading within 7 days
Supplier F	17,998	5.0%	Electricity	Utility provider	A state-owned enterprise established in the PRC in 2013 and a company engaging in the supply of electricity	The PRC	2006	Upon receipt of payment notice

Note: Background and location of headquarters of our suppliers are based on our Directors' knowledge.

Inventory control

We adopt stringent inventory control and endeavour to maintain a sustainable inventory level required for our operations through effective inventory management. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Impairment is made against when the net realisable value of inventories falls below the cost. We manage our inventory levels principally based on the anticipated demand. During the three years ended 31 December 2024, our average inventory turnover days were 73 days, 104 days and 79 days, respectively.

RESEARCH AND DEVELOPMENT

Our in-house R&D team is dedicated in constructing a sustainable and eco-friendly production environment and developing new products to align with the industry trends and demand of customers. In recognition of our product development and R&D capabilities, we have been recognised as a High-tech Enterprise (高新技術企業) for 18 years since 2009.

Our in-house R&D team of around 40 employees is led by our R&D director, Dr. Sho, PhD in applied chemistry from Kinki University, Japan, who has over 20 years of R&D experience in the food additives and functional food ingredients industry. Our in-house R&D team is committed in optimising our production processes for improving product yield, reducing energy consumption and reducing waste emissions. In acknowledgement of our achievement in reducing carbon footprints, we are recognised as a Green and Low Carbon Enterprise* with AAA credit rating (綠色低碳信用評價AAA級企業).

As at the Latest Practicable Date, we obtained 38 patents in the PRC, including patents of our invention in improving energy efficiency in our production process and our innovation in developing new production methods, such as invention patents in "An apparatus and method for recovering dimethylamine from sucralose production wastewater (一種從三氯蔗糖生產廢水中回收二甲胺的設備及方法)", and utility model patents in "A kind of environmentally friendly clean production facility for glycine (一種甘氨酸的環保清潔生產裝置)" and "A device for recycling waste liquid of glycine (一種回收甘氨酸廢液的裝置)".

Our in-house R&D team is also committed in developing new products to align with the industry trends and demand of the customers. During the Track Record Period, our research and development costs were approximately RMB14.0 million, RMB17.2 million and RMB16.6 million, respectively.

Our development of new products include various stages, including R&D and planning, testing, trial production and testing, and commercial production. In our R&D and planning stage, we conduct industry research to analyse upcoming market trend and demand and decide if any new product(s) shall be developed taking into account of our Group's strengths and strategies. We also design the relevant production process for such new product to ensure production efficiency. The purpose and production process for the development of the new product will be included in a new product proposal and be subject to internal approval. After a new product proposal is approved internally, we will

proceed to trial production for testing purpose to ensure the new product is in compliance with all internal and industrial standards. Upon successful trial production and testing, we will proceed to commercial production for the launch of the new product with assistance from our sales and marketing team for sales and promotion.

We had various products in the pipeline as at the Latest Practicable Date which are under research and development and/or testing, including curcumin, isomalt, seaweed dietary fibre and serine. Please refer to the paragraph headed "Our products — New products" in this section for further details.

By virtue of our product development and R&D capabilities, we are recognised as the "Sweetener Research Centre of Jiangxi Province* (江西省甜味添加劑工程技術研究中心)", "Ji'an Food Additives Engineering Research Centre* (吉安市食品添加劑工程技術研究中心)" and "Provincial Enterprise Technology Centre* (省級企業技術中心)". Moreover, in recognition of our innovation in the development and application of seaweed dietary fibre, we were granted with the "2024 Provincial Talent Development Special Fund* (2024年省級人才發展專項資金)" in December 2024, which is a government subsidy in the amount of RMB4 million to support our development of seaweed dietary fibre. Going forward, we aim to cooperate with renowned third-party institutions to keep abreast of the latest technical know-how and expertise in the industry and to cultivate talents to further enhance our R&D capabilities.

COMPETITION

According to the CIC Report, global and the PRC's sucralose markets and food-grade glycine markets are relatively competitive.

Sucralose

The sucralose market in the PRC is highly concentrated, where few manufacturers dominate while smaller manufacturers still exist. Under such circumstances, manufacturers tend to compete by lowering product prices to gain a larger market share, triggering multiple price wars in the PRC sucralose market during past few years. The recent Sucralose Price War in the PRC's sucralose market, which began from 2022, is mainly attributable to the oversupply in the sucralose market as a result of aggressive expansion in production volume by manufacturers in the past two years. As market supply of sucralose exceeds the demand, manufacturers are willing to sell product in extreme low price to reduce the storage. In addition, leading companies, driven by the imperative to preserve their respective market shares and to curb the influx of minor competitors that could potentially undermine the sustainable growth and profitability of the industry, have triggered the price war. Compared with small-scale companies, leading companies are less affected by the price war as they usually enjoy lower unit costs with a large number of long-term orders.

During the Track Record Period, the Sucralose Price War mainly affected our sale of sucralose manufactured in the PRC, and did not affect our overseas sale of sucralose. For details regarding the Sucralose Price War and its impact on us during the Track Record Period, please refer to the sections headed "Industry overview — Overview of global sucralose industry — Price analysis of sucralose" and "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Revenue — Sucralose" in this document respectively.

In August and September 2024, several major sucralose manufacturers in the PRC have raised the price of sucralose coincidentally on several occasions (the "**Sucralose Price Increase**"). As advised by CIC, such increase in their respective selling price of sucralose in the PRC (with market price of sucralose in the PRC increased from approximately RMB105,789.5 per ton in June 2024 to RMB191,333.3 per ton in September 2024) indicated the end of the Sucralose Price War. During the first quarter of 2025, the market price of sucralose in the PRC ranged from approximately RMB180,000 per ton to approximately RMB200,000 per ton. As confirmed by CIC, such price is stable during 2025, and the Sucralose Price War has ended. As advised by our PRC Legal Advisers, the increase of our selling price of sucralose during such period should not constitute a breach of the Anti-monopoly Law based on the following factors:

(a) we did not enter into any monopolise-related agreement(s) with any of the other major sucralose manufacturers in the PRC and do not have any intention to monopolise

We did not enter into any agreement(s) with any of the other major sucralose manufacturers in the PRC to fix or change selling price of sucralose. Although major sucralose manufacturers in the PRC, including us, increased the respective selling price of sucralose at around the same times on several occasions in August and September 2024, we only increased our selling price of sucralose after being acknowledged of other major sucralose manufacturers in the PRC raising their respective selling price of sucralose. We only increased our selling price of sucralose on several occasions when we concluded it was necessary to do so during multi-department meeting each time upon major sucralose manufacturer(s) in the PRC increasing their respective selling price in August and September 2024, with comprehensive consideration of factors set out in our product pricing policy being taken into account. In late September 2024, we did not further issue a public notice for adjusting our selling price of sucralose even after a major sucralose manufacturer in the PRC further increased its selling price of sucralose since we considered that the market might not be ready for further price adjustment. For details of our pricing policy and the procedures required for price adjustment, please refer to the paragraph headed "Our customers — Pricing policy" in this section above.

Given (i) the increase in our selling price of sucralose during the Sucralose Price Increase was carried out independently from other sucralose manufacturers in the PRC in accordance with our internal policy; and (ii) we did not enter into any agreement with other sucralose manufacturers in the PRC to adjust selling price of sucralose, we do not have any intention to monopolise when we increased our selling price of sucralose during Sucralose Price Increase.

(b) the Sucralose Price Increase does not effect exclusion or restriction of competition within the industry

With the significant discrepancy between our maximum export selling price of sucralose (i.e. US$25,500 per ton, equivalent to approximately RMB181,600 per ton with reference to exchange rate of US$ against RMB on 12 September 2024, being the last date that our Group increased our sucralose selling price in September 2024) after the increase in our selling price and the average overseas market selling price of sucralose (i.e. RMB623,000.0 per ton) in 2023, the increase of our selling price of sucralose should not (i) limit the choices of sucralose downstream customers worldwide; and (ii) result in restrictions in the competition within the global sucralose manufacturing industry.

On the other hand, the previous continuous vicious cycle of reduction in selling price of sucralose during the Sucralose Price War in the PRC created an unhealthy competitive environment for the industry. The industry players' recent adjustment in selling price of sucralose has enabled the industry to resume to normal and promote healthy competition. Accordingly, our increase of selling price of sucralose during the period from August to September 2024 is simply a normal price adjustment based on market condition, and would not lead to restrictions in competition within the domestic industry.

Based on the foregoing and the fact that we were neither subject to any governmental investigation nor subject to any administrative penalty as a result of our increase of selling price of sucralose during the period from August to September 2024, our PRC Legal Advisers are of the view that the potential implications of the Anti-Monopoly Law on our operations and financial performance is remote.

Food-grade glycine

In 2023, the top five food-grade glycine manufacturers collectively held around 18.7% of the total global market share in terms of sales volume of food-grade glycine. Food-grade glycine market in the PRC accounts for 31.6% of global market and is relatively concentrated, with market share of the top five manufacturers in the industry reaching 57.6% in terms of sales volume of food-grade glycine in 2023.

Our Directors believe that some of our competitors may have greater production capacity and lower pricing than we do. However, our Directors consider that our Group has established a diversified customer base and has been providing high-quality products. Through these advantages, we believe we have a competitive edge over our competitors. For further details on the competitive landscape of the food-grade glycine and sucralose industries, please refer to the section headed "Industry overview" in this document.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

The outbreak of COVID-19 pandemic had adversely affected the economy globally since late 2019. We recorded a one-off production stop loss of approximately RMB3.6 million in FY2022 as a result of our suspension of production at our Xizang Plant due to the outbreak of COVID-19. Regarding our Indonesia Plant, during each of FY2022 and FY2023, the theoretical maximum annual production capacity was impacted due to the disruptions brought by COVID-19 as we temporarily suspended production in our Indonesia Plant. From FY2022 to FY2023, the theoretical maximum annual production capacity increased from 1,212 tons to 2,970 tons, as the number of days of suspension due to COVID-19 decreased with the improvement of the COVID-19 situation. With the improvement of the COVID-19 situation, we no longer had suspension in our production plants due to COVID-19 during FY2024. For further details, please refer to the paragraph headed "Our production plants" above.

Despite the challenges posed by COVID-19, our business operations had not been significantly affected during the Track Record Period. The decrease in our profit between FY2022 and FY2023 was mainly due to market factors of our products as explained in details in the section headed "Financial information — Consolidated statements of profit or loss and other comprehensive income" in this document, instead of due to COVID-19. Our Directors confirm, and the Sole Sponsor concurs, that the COVID-19 outbreak did not cause, and is not expected to cause any material adverse impact on the Group.

ENVIRONMENTAL PROTECTION

We have business operations in the PRC, Thailand and Indonesia. Our production process may involve discharge of waste water, air pollutants and noise, and is subject to various national and local laws and regulations on environment protection. Please refer to the section headed "Regulatory overview" in this document for further details.

To ensure that our production process complies with the relevant environmental protection laws and regulations, we have adopted the following measures:

- treatment of waste water generated from our production facilities prior to discharge;
- prohibition from discharging waste water not fulfilling the discharge standard until such reason is discovered;
- treatment and discharge of exhaust emission with designated facilities and regular repair of relevant facilities;

- regular inspection of exhaust emission and rectification in case of excess discharge;
- treatment of hazardous waste by qualified entities; and
- regular repair, inspection and lubricating of sound proofing devices.

We believe that our production process does not significantly and adversely impact the environment. During the Track Record Period and up to the Latest Practicable Date, as advised by our legal advisers from the respective jurisdictions, our Group had complied with all applicable environmental protection laws and regulations and obtained all necessary environmental approvals and licences for our operations in the PRC, Thailand and Indonesia.

For FY2022, FY2023 and FY2024, our costs incurred from waste water discharge, disposal of waste and environmental protection matters amounted to approximately RMB10.0 million, RMB4.7 million and RMB6.1 million, respectively. To the best of our Directors' knowledge, no administrative sanctions, penalties or punishments have been imposed on us for violation of any applicable environmental protection laws and regulations during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We acknowledge our responsibilities on environmental protection, social responsibilities and is aware of the climate-related issues that may have impact on our business operations. We are committed to comply with the environmental, social and governance (the "**ESG**") reporting requirements upon [**REDACTED**] and committed to operating our business in a lawful ethical and responsible attitude. We have established a set of internal policies with respect to ESG issues (the "**ESG Policies**") in accordance with the standards of Appendix C2 to the Listing Rules. For environmental matters, we adopted comprehensive policies and procedures related to (i) conservation of energy; (ii) carbon emission reduction; and (iii) treatment of exhaust gas, sewage and solid waste, among other aspects. For social matters, we adopted policies related to (i) production safety; (ii) product quality; (iii) employee health, promotion, compensation, benefits and training; and (iv) community support, donation and volunteer services, among other aspects. For governance matters, we adopted a comprehensive set of internal policies, which includes Commitment to Integrity and Self-Discipline, Anti-Bribery Agreement, and Employees' Handbook that encompasses policies on conflict of interest, anti-corruption, etc., and provided regular compliance training for employees to enhance internal regulatory compliance and ethical business practices. We conduct periodic reviews to monitor our compliance with the above policies and procedures.

Our Board has the overall responsibility for overseeing and adopting the ESG Policies, assessing our Group's ESG-related risks on a regular basis according to applicable laws, regulations and policies, drafting and determining our ESG strategies and key targets, as well as reviewing our performance annually against ESG-related targets and revising the ESG-related strategies, as appropriate if significant variance from the target is identified. Under the supervision of our Board, we actively identify and monitor environmental, social and climate-related risks and opportunities. At the same time, our Board also evaluates the major transaction based on the identified ESG risks and opportunities, assesses whether the transaction meets sustainability requirements and relevant social responsibility standards, and captures relevant ESG opportunities. Our Board delegates authority to our management team and heads of relevant departments to develop and implement the ESG Policies and monitor the progress of ESG.

Environmental protection and climate-related matters

Our production process involves air pollutants, waste water and solid waste. We endeavour to minimise any adverse impact on the potential environmental and climate-related risks and impacts from daily operation. The conduct of our business is subject to various national laws, regulations, rules and standards on environmental protection. For further details in respect of applicable environmental law, regulations, rules and standards, please refer to the section headed "Regulatory overview" in this document.

Environmental protection

We continue to observe the applicable laws and regulations in relation to environmental protection in all material aspects.

Air pollutants and greenhouse gas

The primary source of air pollutant emissions is originated from fuel combustion from vehicles used by our Group and production process. Typical air pollutants emitted include nitrogen oxides, sulphur oxides and particulate matter. Responsible environmental management can lead to economic and environmental co-existence. We strictly comply with the relevant laws and regulations in relation to air pollutants.

With reference to (i) Appendix II: Reporting Guidance on Environmental KPIs ("**Appendix II**") to How to prepare an ESG Report provided by the Stock Exchange; and (ii) "The Greenhouse Gas Protocol" provided by the World Resources Institute and the World Business Council for Sustainable Development, our greenhouse gas emissions are primarily classified into three scopes: (i) scope one includes direct emissions from combustion of fuel in vehicles, combustion of fuel in stationary source, cooling agents used by air conditioner and self-generated steam; (ii) scope two includes indirect emissions from purchased electricity and purchased steam; and (iii) scope three includes indirect emissions from the business air travel by employees, methane gas generation at landfill due to disposal of paper waste, and electricity used for fresh water and sewage processing.

We have established an environmental management system in accordance with the requirements of ISO 14001:2015 for effectively monitoring our environmental management practices. Additionally, we have issued a series of air pollution control procedures to further strengthen the emission control. In terms of our vehicle fleet, we have implemented a vehicles management policy that includes regular checks to ensure vehicles are maintain in an optimal condition. Besides, we also provide employees low carbon driving training to enhance their awareness of environmental friendly concept.

Our historical record of greenhouse gas emission intensity in FY2022, FY2023 and FY2024 was approximately 4.73 tCO_2e/ton of products, 4.88 tCO_2e/ton of products and 4.09 tCO_2e/ton of products, respectively. By comparing with the average value (in tCO_2e/ton of products) of comparable companies in the food additive industry listed on the Stock Exchange from FY2022 to FY2023, we found that our GHG emissions intensity is generally comparable to the industry average.

In order to control the greenhouse gas emissions from our operations, our target is to reduce greenhouse gas emission intensity (tCO_2e/ton of products) by 15% by 2026, with 2023 as the base year.

We will install energy-saving devices on boiler tail gas piping to improve the efficiency of waste heat utilisation, which will reduce our steam consumption and thus reduce greenhouse gas emissions. Costs on the above energy-saving measure are expected to represent a small portion of our overall operating cost and will not have a significant impact on our financial performance.

On 25 October 2021, the Ministry of Ecology and Environment of the PRC issued the Environmental Protection Comprehensive Directory (2021) ("**Comprehensive Directory**"), which was revised on the basis of the Environmental Protection Comprehensive Directory (2017). The Comprehensive Directory was formulated by the Ministry of Ecology and Environment, and includes a comprehensive list of "high-pollution, high-environmental-risk" products ("double-high" products), some "double-high" product exclusion processes, and environmental protection special equipment. It focuses on products with large pollutant emissions, large impacts on environmental quality, large hazards to human health and ecological safety, and high incidence of pollution accidents. Among our main products, glycine is classified as a "high-pollution, high environmental risk" product as stipulated in the Comprehensive Directory, and sucralose is classified as a "high-pollution" product in the Comprehensive Directory, which indicates that we may be subject to a higher degree of supervision by the relevant PRC regulatory authorities on our environmental impact assessment procedures and pollutant emission management.

"High-pollution" products are those products whose production processes discharge large quantities of pollutants, while "high environmental risk" products are mainly those whose production process discharges pollutants that can cause significant adverse effect to the environment. Based on our production procedures, the main environmental emissions generated during our production process are wastewater, air pollutants and solid waste. The wastewater mainly contains two kinds of pollutants including organic pollutants and ammonia nitrogen, if not properly treated, these water

pollutants can cause oxygen depletion and harm to aquatic organisms, ultimately impacting the overall health and ecosystem balance of the water bodies. The air pollutants mainly contain four kinds of pollutants including volatile organic compounds (VOCs), SO_2, NO_X and particulate matter (PM), if not properly treated, these air pollutants will be detrimental to the atmosphere, contributing to the formation of ground-level ozone and smog, ultimately causing adverse effects on the environment and human health. The solid waste mainly contains two kinds of pollutants including hazardous waste and general industrial solid waste, if not properly treated, these solid waste will potentially cause soil and water contamination due to its toxic, flammable, corrosive, or reactive properties, ultimately impacting ecosystem.

As advised by our PRC Legal Advisers, (i) we have complied with all relevant environmental laws and regulations in the PRC in all material aspects during the Track Record Period and up to the Latest Practicable Date; and (ii) there had been no administrative penalty nor investigations by the relevant PRC regulatory authorities regarding our environmental impact assessment procedures or pollutant emission management during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that the Comprehensive Directory had no material impact on our Company's financial and operational performance during the Track Record Period and up to the Latest Practicable Date.

We have taken into account the potential risks to the environment during the production of sucralose and glycine. Standard operating procedures have been put in place to manage the pollutants generated in production, guaranteeing that the released pollutants comply with local standards. Our plants in Mainland China have been mandated to acquire pollution discharge permits (排污許可證), along with local environmental protection department's verification of our pollutant discharge levels. Our Group also conducts Environmental Management Ledger Record System (環境管理台賬記錄制度), regularly publishes Enforcement Report of Pollution Discharge Permit (排污許可證執行報告) and discloses our environmental management activities through public channels such as the National Discharge Permit Management Information Platform (全國排污許可證管理信息平台) in accordance with the requirements of the pollution discharge permits. Our Thailand Plant is in strict compliance with the Standard for Discharging Wastewater into the Central Wastewater Treatment System in Amata Nakom and Amata City Industrial Estate and the Air Emission Standard in Amata City Rayong. Our Indonesia Plant is in strict compliance with the Waste Water Treatment Standard of Karawang New Industry City and local standard for air pollutant emissions. Moreover, we regularly engage third parties and perform inspection to monitor various critical environmental aspects, including air, water and soil pollutants, to verify that discharge levels remain compliant. Besides, standardised protocols such as Environmental Emergency Preparedness and Response Control Procedures have been established to identify potential environmental incidents or emergencies within our Group and to minimise environmental damage by following pre-determined measures immediately in case of environmental incidents. We also provide regular environmental drills and trainings to enhance employee awareness and equip them with the necessary skills to mitigate potential risks and reduce the probability of environmental incidents.

Resources consumption

Having considered that the purchased electricity, purchased and self-generated steam and natural gas consumption in stationary equipment such as stoves are the primary sources of energy consumption, we highly commit to reducing our electricity, steam and natural gas consumption through the implementation of a comprehensive set of measures. We use all our efforts to ensure compliance with the relevant laws and regulations.

We have established the energy and resource control procedures and the green office policy to govern the rational use of energy as well as to provide guidance for reducing energy consumption in our daily lives. We have implemented many energy saving measures. For example, we use energy-efficient lamps, such as LED tubes. Additionally, we set the minimum temperature limit of the air-conditioning system, regularly clean the air-conditioning filters and maintain them to reduce the possibility of refrigerant leakage to further reduce energy consumption.

Furthermore, we regularly conduct monthly electricity consumption statistics to closely monitor usage and identify areas for improvement. Based on these statistics, we implement appropriate measures to enhance energy efficiency and reduce consumption. By adhering to legal requirements and implementing these measures, we strive to operate in accordance with environmental regulations and contribute to a sustainable energy future.

Our energy consumption is classified into direct and indirect energy consumption. The direct energy consumption is from the fuel consumption of vehicles, combustion of stationary source and self-generated steam. The indirect energy consumption is from the purchased electricity and steam.

Our historical record of energy consumption intensity in FY2022, FY2023 and FY2024 was approximately 13.52 MWh/ton of products, 12.30 MWh/ton of products and 11.32 MWh/ton of products, respectively. By comparing with the average value (in MWh/ton of products) of comparable companies in the food additives industry listed on the Stock Exchange from FY2022 to FY2023, we found that our energy consumption intensity is generally comparable to the industry average.

Our target is to reduce energy consumption intensity (MWh/ton of products) by 10% by 2026, with 2023 as the base year.

To control the energy use in our operations, we will adopt frequency conversion control for high-power electrical equipment to reduce energy consumption of power-using equipment, it will reduce our costs in terms of energy consumption, as well as extend the life of electrical equipment and improve the efficiency and performance of electrical equipment, thereby reducing maintenance and repair costs and improving operational efficiency. Costs on the above energy-saving measure are expected to represent a small portion of our overall operating cost and will not have a significant impact on our financial performance.

Water and wastewater management

The usage of municipal water contributes to the majority of water consumption for the operation of the office and production plants. Thus, we inevitably generate wastewater, including domestic wastewater, production wastewater and laboratory wastewater. We understand the importance of water conservation as water is a precious resource. Any non-compliance with wastewater discharge standards can lead to pollution of water bodies, affecting the surrounding ecosystem and the health of our employees, which may expose us to the risk of legal proceedings, fines and reputational damage. At the same time, improper management of water usage can lead to an increase in our cost. Therefore, we have implemented various water conservation measures. For instance, putting up water saving reminder labels in toilets to raise the employee's awareness of water saving. Additionally, we have reduced water pressure to the lowest practical level and regularly check water meter readings to detect any hidden leaks. If leaks are identified, we promptly address and fix them. Besides, we monitor our sewage discharge levels periodically. We have set it as our target to strengthen the promotion of water-saving measures and reduce our water consumption.

We stipulate that domestic wastewater generated from bathrooms and other facilities must be treated in septic tanks and the tanks were cleaned every half a year, and that kitchens must be installed with grease traps to prevent grease and contaminant from entering the water and it was cleaned at least once a month. The production wastewater discharged from production plants is treated in our own wastewater treatment station until it meets the Integrated Wastewater Discharge Standards before it is discharged into the municipal sewage network.

Our historical record of water consumption intensity in FY2022, FY2023 and FY2024 was approximately 71.84 m^3/ton of products, 52.50 m^3/ton of products and 27.60 m^3/ton of products, respectively. By comparing with the average value (in m^3/ton of products) of comparable companies in the food additives industry listed on the Stock Exchange from FY2022 to FY2023, we found that our water consumption intensity is generally comparable to the industry average. Besides, the implementation of energy conservation technology in late-FY2023 contributed to a reduction in our water consumption, resulting in a lower intensity in FY2024.

We have set a water consumption target, with 2023 as the base year, to reduce water consumption intensity (m^3/ton of products) by 20% by 2026.

We will increase the production and use of recycled water, which will increase our water utilisation and reduce costs associated with water consumption. Costs on the above water-saving measure are expected to represent a small portion of our overall operating cost and will not have a significant impact on our financial performance.

For each of FY2022, FY2023 and FY2024, our spending in water and waste water management amounted to approximately RMB4.6 million, RMB3.5 million and RMB4.3 million, respectively.

Solid waste

Solid waste are environmental pollutants that we generate during our operations. Improper disposal of solid waste can lead to environmental violations and have adverse effects on the environment. We are committed in reducing the generation of waste.

Non-hazardous waste generated mainly includes general waste (i.e. general office's garbage), paper, and food waste. We have developed a policy which encompasses a range of measures with an aim to reduce office's waste and promoting sustainability within our working environment. One of the key measures highlighted in the policy is prioritising the use of electronic media to share information whenever possible, with the target of minimising paper usage. Besides, we emphasise on the separation of waste into specific categories. This enables us to implement appropriate waste management strategies, such as composting food waste and recycling paper, to minimise the amount of waste sent to landfills.

Our historical record of non-hazardous waste intensity in FY2022, FY2023 and FY2024 was approximately 6.58 tons/thousand tons of products, 6.61 tons/thousand tons of products and 5.39 tons/thousand tons of products, respectively. By comparing with the average value (in tons/thousand tons of products) of comparable companies in the food additives industry listed on the Stock Exchange which is 17.65 tons/thousand tons of products and 14.19 tons/thousand tons of products in FY2022 and FY2023, respectively, we found that our non-hazardous waste intensity is below the industry average. Moreover, our Group has endeavoured to reduce the amount of non-hazardous waste as much as possible by way of recycling. For example, the woven bags used by our Xizang Plant for transporting raw materials to our Yujiang Plant are collected and delivered back to our Xizang Plant for reuse. Our ongoing practice of recycling eventually leads to a slight decrease in non-hazardous waste intensity in FY2024.

In order to control the non-hazardous waste amount disposed from our operations, our target is to reduce non-hazardous waste intensity (ton/thousand tons of products) by 10% by 2026, with 2023 as the base year.

We will continue to implement the green office incentives, adopt a paperless policy to reduce the use of printing consumables, which will reduce the use of paper and improve the efficiency of document management and delivery while saving on company purchasing costs and reducing expenditure on office suppliers.

Hazardous waste generated includes a range of items, such as general office equipment (e.g. printers, lamps, and ink cartridges) and chemical waste. We have established a sound hazardous waste management system and develop solid waste control procedures to strengthen solid waste management so as to avoid any negative impact to the environment and resources. All hazardous waste generated is properly collected and treated by qualified third parties. Additionally, we annually evaluate the trends of the storage volume at each storage site and propose appropriate strategies to reduce potential for environmental contamination.

Our historical record of hazardous waste intensity in FY2022, FY2023 and FY2024 was approximately 9.00 tons/thousand tons of products, 6.32 tons/thousand tons of products and 6.76 tons/thousand tons of products, respectively. By comparing with the average value (in tons/thousand tons of products) of comparable companies in the food additives industry listed on the Stock Exchange which is 7.71 tons/thousand tons of products and 7.66 tons/thousand tons of products in FY2022 and FY2023, respectively, we found that our hazardous waste intensity is comparable to the industry average. Given that we disposed of a certain amount of hazardous waste that had accumulated in our Ji'an Plant during FY2021 in early January 2022 as there was a delay in the transportation arrangement in disposal of the hazardous waste, the hazardous waste intensity in FY2022 was significantly higher than the other two years.

We have set a hazardous waste reduction target, with 2023 as the base year, to reduce hazardous waste intensity (ton/thousand tons of products) by 6% by 2026.

We will engage qualified third parties to dispose of hazardous waste, and reduce the generation of hazardous waste by increasing utilisation and maintenance of our materials and equipment. Costs on the above hazardous waste management measures are expected to represent a small portion of our overall operating cost and will not have a significant impact on our financial performance.

During the Track Record Period, we engaged qualified third parties to dispose of hazardous waste, such as waste activated carbon and non-hazardous waste, such as domestic waste. For each of FY2022, FY2023 and FY2024, our spending in waste management amounted to approximately RMB2.3 million, RMB1.0 million and RMB3.1 million, respectively.

Referring to the Hazardous Chemicals Catalogue issued by the Ministry of Emergency Management of the PRC, the hazardous chemicals involved during the production process include chloroacetic acid, hexamine, liquid ammonia, methanol, hydrochloric acid, dimethylformamide, ethyl acetate, cyclohexane, thionyl chloride, acetic anhydride, trichloroethane, organotin, ammonia, butyl acetate, liquid chlorine, sulfur and acetic acid. We strictly abide by the Regulations on the Safe Management of Hazardous Chemicals and General Rules for the Hazardous Chemicals Warehouse Storage, we set up qualified storage warehouse for hazardous chemicals, and store them according to the categories of hazardous chemicals and prescribed storage requirements. Meanwhile, we have clarified the responsibilities of corresponding department and personnel for controlling the pollution of hazardous chemicals, which requires that the personnel strictly carry out their duties to supervise the storage and use of hazardous chemicals. Besides, we conduct regular emission testing to guarantee our hazardous emissions level meet the requirements of the countries where we have business operations.

The following table sets out the analysis of our environmental protection performance during the Track Record Period:

	Year ended 31 December		
	2022	**2023**	**2024**
Air pollutant			
Nitrogen oxides (tons)	8.9	12.4	9.0
Sulphur oxides (tons)	6.2	1.7	0.8
Particulate matter (tons)	1.8	4.1	2.0
Greenhouse gas			
Total GHG Emissions (tCO_2e)	103,226	97,488	126,201
– Scope one: Direct emissions	39,203	47,674	70,532
– Scope two: Energy indirect emissions	63,384	49,368	55,255
– Scope three: Indirect emissions	639	446	414
Intensity (tCO_2e/tons of products)	4.73	4.88	4.09
Resources consumption			
Total energy consumption (MWh)	294,808	245,626	349,417
Direct energy consumption (MWh)	154,521	136,486	228,439
Indirect energy consumption (MWh)	140,287	109,140	120,978
Intensity (MWh/tons of products)	13.52	12.30	11.32
Water consumption			
Total water consumption (m^3)	1,566,915	1,048,606	852,163
Intensity (m^3/tons of products)	71.84	52.50	27.60
Solid waste			
Hazardous waste (tons)	196.32	126.16	208.81
Hazardous waste intensity (tons/thousand tons of products)	9.00	6.32	6.76
Non-hazardous waste (tons)	143.55	132.08	166.31
Non-hazardous waste intensity (tons/thousand tons of products)	6.58	6.61	5.39

We strictly adhere to the standards, metrics and targets set or issued by the ESG-related laws and regulations in assessing and managing our impacts on the environment as a result of our business activities, such as the discharge of pollutants or harmful substances in the course of our production. At the same time, we are in the process of establishing more detailed ESG-related metrics and targets after consulting with relevant stakeholders. We will continue to monitor climate-related matters and governmental developments to combat climate change and act to minimise the impact on our operations.

Furthermore, to better manage our ESG-related risks, we set our target to:

- use energy rationally and reduce energy consumption;
- ensure that discharged wastewater comply with applicable national and local environmental regulatory standards and permit requirements; and
- enhance solid waste management, minimise the generation of solid waste, promote waste utilisation, and protect the environment and public health.

Climate change

Global warming poses a wide range of risks to business operations. We actively identify and monitor climate-related risks and opportunities that may affect our business, strategy and financial performance. Under our policies and procedures related to responding to climate change, we have set our targets to support the national "30·60" carbon peak and neutrality targets to reduce the GHG Emissions and strive for smooth operations while ensuring the safety of our employees.

Climate-related physical risks can induce both acute risks, such as storms and floods, and chronic risks including changes in weather patterns, rising sea levels, and increasing temperatures. These risks have a range of negative impacts, such as delays in project planning authorisation and implementation, transportation difficulties, supply chain disruptions, and adverse effects on the workforce. Consequently, our production capacity may be reduced. Our operations in Shenzhen, being located in a coastal area, is potentially vulnerable during extreme weather events. In response to the increased severity of these events resulting from climate change, we have formulated and executed comprehensive crisis and emergency management plans. These plans serve to strengthen our operational resilience and emphasise our unwavering dedication to ensuring the well-being and safety of our employees. Besides, we maintain comprehensive property insurances for properties and other assets that are vulnerable to extreme weather damage or other physical impacts caused by climate change. Furthermore, we closely monitor daily observatory predictions and will promptly notify our employees and other personnel of any related measures in case of extreme weather.

Social matters

Labour management

We strictly comply with relevant laws and regulations, such as the Labour Law of the PRC, the Labour Contract Law of the PRC, and administrative rules in Indonesia and Thailand. As advised by our legal advisers from the respective jurisdictions, we did not have material legal violations or lawsuits in relation to labour rights during the Track Record Period and up to the Latest Practicable Date. We are committed to promoting fairness and equality in the workplace and adhere to a policy of transparency and fairness in recruitment and promotion, ensuring that all employees are provided with equal opportunities in matters including recruitment, promotion, welfare protection, and career development. For details, please refer to the paragraph headed "Employees" in this section.

The following table sets out the composition of our employees by gender and age group, and the respective turnover rate as at 31 December 2024:

	As at 31 December 2024	Turnover rate
By gender		
Female	235	41%
Male	493	38%
Total	728	39%
By age group		
<30 years old	135	52%
30–50 years old	352	39%
>50 years old	241	30%

Anti-corruption

We have developed a series of internal polices to promote ethical conduct, prevent bribery and corruption, and provide employees with the clear guidelines and expectations. We also have implemented a reporting system to allow for the confidential submission of any instances of perceived or potential misconduct. We have established different reporting channels, including direct complaints to the administration and human resources team either verbally or in writing, or by other means such as email or other appropriate channels. We encourage employees and related parties to report any internal violations of discipline, or law, fraud, and behaviours that damage the group's interests and image in an orderly manner. We have formed an Anti-Commercial Bribery Agreement to be entered with our customers and suppliers, and have established a Commitment to Integrity and Self-Discipline internally for our employees, which could further enhance the management of anti-corruption upon signing. In addition, we conduct anti-corruption and anti-money laundering training for new employees, introducing our internal policy and anti-corruption and anti-money laundering laws and regulations to

raise their awareness of anti-corruption and anti-money laundering. The abovementioned policies and mechanism regarding the prevention of corruption and bribery are applicable to our Group, including our operations in Indonesia and Thailand, so as to ensure compliance with the relevant local laws and regulations.

Product safety

We value the safety of our products and maintain and uphold high quality standards by establishing a series of internal policies that encompass the aspects of our operations, from production to after-sales services, and even encompassing products' research and development patents. We have established stringent internal control indicators for quality of raw and auxiliary materials, which ensures that the purchased materials for production are safe with high standards. We also implemented Product Protection Management Procedures to safeguard the quality of our products during sale, storage and delivery to customer through the application of control programme. Besides, our food quality and safety management system complies with the strict requirements of FSSC 22000 and BRCGS Food Safety Global Standard. This not only guarantees that our policies align with global standards, but also provides clear evidence of the safety and reliability of our products for consumers. Notwithstanding various recognised and authoritative institutions, such as the European Food Safety Authority and the US Food and Drug Administration, have confirmed that the safety of sucralose and glycine, any excessive consumption of any kind of food or beverages, including sucralose or glycine, may impose certain degree of health risks on human beings. In addition, we cannot guarantee that there will not be any advanced studies in the future that may overrule the findings in current studies. Please refer to section headed "Risk factors — Risks relating to our business — Our business may be affected by any potential health risks of our products" in this document for further details. Our Group currently monitors the development in academic and scientific research on sucralose and glycine in order to mitigate such risk.

Other social matters

For further discussion on the other key ESG areas we have identified, namely, the areas of product quality, product return, occupational health and work safety and protection of intellectual properties, and suppliers management, please refer to the paragraphs headed "Quality management", "Our customers — Product return and after-sales services", "Health and work safety", "Intellectual property rights" and "Our suppliers" in this section.

HEALTH AND WORK SAFETY

We endeavour to provide a safe working environment to our employees. We have implemented occupational health and safety policies, such as (i) conducting health and safety training and requiring relevant employees to pass the safety examination before commencing work; (ii) periodically inspecting and repairing our production facilities to minimise the risks of injury caused by defective production facilities; (iii) formulating a production safety responsibility system to clarify the safety responsibilities of each department and workshop, establishing a safety standardisation management system to

regulate safety management, and holding at production safety committee meeting at least every half a year to prevent and reduce the occurrence of safety accidents; (iv) providing our employees with the necessary safety facilities and equipment, such as fire-fighting equipment and personal protective equipment in case of emergencies; (v) developing a safety management system for special works such as aerial work, lifting, etc., to regulate safe work practices and reduce the possibility of safety accidents in special works; and (vi) establishing a reward and punishment management system for production safety, which is based on the assessment of production safety performance to give rewards or punishment for departments and workshops, so as to enhance the enthusiasm of all employees for production safety.

We prioritise the safety of our workplace, and incidents of workplace injury are infrequent in our operations. As at the Latest Practicable Date, there was no unresolved or pending claims regarding work injuries from our employees. Furthermore, save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, there was no accident resulting in death or serious bodily injury in our business operations.

On 25 February 2022, a fatal accident (the "**Accident**") occurred at one of our production plants. The deceased person was our employee who was found dead in the filter cloth cleaning tank outside the esterification workshop. There was no direct evidence showing that the Accident was related to Jinggangshan production safety liability incident, or that it was a criminal case and/or related to intoxication, drugs or suicide. As confirmed by 井岡山經濟技術開發區應急管理局 (Jinggangshan Economic and Technological Development Zone Emergency Management Bureau*), a competent government authority to be responsible for the production safety aspect of the Accident as advised by our PRC Legal Advisers, in a confirmation in June 2024 and our PRC Legal Advisers concur, that the Accident was not related to production safety liability incident. Our Company was not held liable for the Accident.

As at the Latest Practicable Date, notwithstanding the Accident was not caused by production safety issues, we compensated approximately RMB1.3 million to the deceased person's family, of which (i) approximately RMB300,000 was paid by us; and (ii) the remaining amount was covered by our insurance.

After the occurrence of the Accident, we implemented the aforementioned occupational health and safety policies and enhanced our internal control measures. In particular, we (i) convene production safety committee meeting at least every half a year to review and solve critical issues in production safety; (ii) identify existing or potential risks from key factors including fire and explosion, leakage of toxic substances and machines and engineering; (iii) establish operating and safety procedures before new machines or facilities are put into operation; and (iv) implement a reward system based on safety production performance which rewards employees who accomplish safety production targets, improve production conditions and prevent occurrence of safety accidents. Furthermore, we also provide work safety trainings to our employees.

Having reviewed (i) the records of the Accident; (ii) the additional measures put in place by our Group to prevent recurrence of the Accident; and (iii) current safety measures and procedures adopted by our Group, our Directors are of the view that (a) the Accident was not caused by any material deficiencies in the design of our safety measures and procedures; (b) the additional safety measures put in place by our Group to prevent recurrence of the Accident were adequate and effective; and (c) the current safety measures and procedures of our Group are in compliance with the regulatory requirements.

Based on the facts and circumstances regarding the Accident and the internal control measures disclosed above, our internal control consultant is of the view that, and the Sole Sponsor concurs that, the internal control measures adopted by our Company are adequately and effectively designed to reasonably prevent recurrence of similar incidents.

As advised by our legal advisers from the respective jurisdictions, we have complied with all applicable laws and regulations in relation with work and production safety in all material aspects during the Track Record Period and as of the Latest Practicable Date.

We have completed the requisite fire safety filings for all our offices, production plants and production lines before operation, and have complied with all applicable laws and regulations relating to fire safety in all relevant jurisdictions that we operate in, during the Track Record Period and up to the Latest Practicable Date except for the Building Works located in the Ji'an Plant for which the Company has not obtained construction planning approval (建設工程規劃許可證), construction permit and approval (建築工程施工許可證) and construction completion and acceptance (建設項目竣工驗收) as disclosed under the paragraph headed "Legal proceedings and compliance — Property-related non-compliance incident" in this section below.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered (i) 38 patents in the PRC and had applied for the registration of 20 patents in the PRC; (ii) 7 trademarks in the PRC and 1 trademark in Thailand and had applied for the registration of 6 trademarks in the PRC and 1 trademark in Hong Kong; and (iii) 1 domain name in the PRC, which are material to our business. Our patents are primarily related to the improvements in our production process and our products, as well as our new products. Please refer to the paragraph headed "B. Further information about the business of our Group — 2. Intellectual property rights of our Group" in Appendix VI to this document for details of our major intellectual property rights.

We rely on intellectual property laws and regulations to protect our patents, trademarks and other intellectual property rights. However, several proprietary know-how is not eligible for patent protection, and some patents are difficult to enforce. Hence, we include confidentiality provisions in the employment contracts with our employees to safeguard our interests in this regard. Under the employment contracts, our employees are obliged, both during and after their term of employment, to keep our trade secrets confidential. They are also required to assign to us any inventions, designs and technologies that they develop while employed by us. On top of that, we have entered into confidentiality agreements with selected employees, where strict compliance with our confidentiality requirements is required.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there had not been any pending or threatened material claims made against us in respect of infringement of intellectual property rights. We had not, on the other hand, made any material claims against third parties alleging breach of our intellectual property rights.

PROPERTIES

Owned properties

We own and occupy certain land parcels, buildings and properties in the PRC, Thailand and Indonesia for our business operations. As at the Latest Practicable Date, we owned seven land parcels with a total site area of approximately 370,943 sq.m. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are principally used as our production plants, offices, staff dormitories and other ancillary facilities. Our Group does not own single property interest that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2) of the Listing Rules.

The PRC

As at the Latest Practicable Date, we owned five land parcels with a total site area of approximately 335,691 sq.m in the PRC. They are used as our production plants, offices, staff dormitories and other ancillary facilities.

Thailand

As at the Latest Practicable Date, we owned one land parcel with a total site area of approximately 22,252 sq.m in Thailand. They are used as our production plant and office.

Indonesia

As at the Latest Practicable Date, we owned one land parcel with a total site area of 13,000 sq.m in Indonesia. They are used as our production plant and office.

Leased properties

As at the Latest Practicable Date, we leased four properties in the PRC with a total gross floor area of 1,153.0 sq.m. which were used as our offices and staff dormitories. As advised by our PRC Legal Advisers, the lease agreements underlying the relevant leased properties that we entered into are all valid.

Lease of office premises from Mr. Wang

For FY2022, FY2023 and FY2024, we leased office premises from Mr. Wang, one of our Controlling Shareholders. The office premises is situated at 8A and 8B, 8th Floor, Jia Jia Hao Business Building, Nanshan District, Shenzhen, the PRC, with a total area of 387 sq.m.. For FY2022, FY2023 and FY2024, the amount of rent (exclusive of management fee, water and electricity charges, and other outgoings which are payable to Independent Third Parties) paid by us to Mr. Wang amounted to approximately RMB276,000, RMB276,000 and RMB276,000, respectively.

Following [**REDACTED**], we will continue to lease the above premises from Mr. Wang for a term of three years commenced from 1 January 2023 for an annual rent of RMB276,000. Please refer to the section headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Operational independence" in this document for details.

INSURANCE

We maintain various insurance policies, including work safety liability insurance and property insurance, which is in line with the market practice, according to CIC. Work safety liability insurance covers liabilities caused by both of our employees and third parties and provides coverage for each accident and each casualty, while property insurance covers our production facilities, inventories, office and construction in progress. Please refer to the section headed "Risk factors — Risks relating to our business — Our insurance coverage may not be adequate to cover all the risks related to our business" in this document for details of our uncovered risks. We provide social insurance and housing funds to our employees as required by the PRC laws and regulations save as disclosed under the paragraph headed "Legal proceedings and compliance — Failure to make full contribution to the social insurance plan and housing provident fund for our employees in the PRC" in this section below. We also provide the work and health insurance to our employee, as required by the Indonesian laws.

We believe that our insurance coverage is adequate and in line with the industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made and had not been subject to any material insurance claims.

EMPLOYEES

As at 31 December 2024, we had 728 full-time employees, of which 635 employees were based in the PRC. The following table sets out the number of our full-time employees by function as at 31 December 2024:

Function	Number of employees as at 31 December 2024
PRC	
Production	477
Administration and human resources	40
R&D	37
Quality control	21
Sales and marketing	17
Management	21
Finance	17
Procurement	5
Indonesia	
Production	57
Administration and human resources	5
Quality control	2
Sales and marketing	1
Finance	3
Thailand	
Production	20
Administration and human resources	3
Quality control	1
Finance	1
Total	**728**

We recruit our employees mainly through online recruitment platforms, job fairs and internal referrals. When making hiring decisions, we will consider our business needs, future development plans and the competitive environment. We select our employees based on, among others, their competence and educational background. The remuneration packages of our employees depend on their job nature, and may include salaries, allowances, bonuses and retirement benefits scheme.

During the Track Record Period, the Group employed two labour despatch workers in Thailand. They were general production workers who were responsible for material packaging. Newtrend Thailand had entered into a labour despatch agreement with the relevant service provider which stipulated that Newtrend Thailand may select the workers to be despatched by the service provider, and shall determine the working hours, work standards and work procedures of the workers. As advised by our Thailand Legal Advisers, (i) the terms set forth in the labour despatch agreement are not in conflict with the Labour Protection Act and other relevant laws of Thailand; (ii) the labour despatch agreement is legal, valid and enforceable; and (iii) the labour despatch arrangement is in compliance with the relevant laws of Thailand.

Newtrend Thailand provides its employees, with staff accommodations in the industrial park. As advised by our Thailand Legal Advisers, (i) Newtrend Thailand does not have any engagement of child labour, which is in compliance with the requirement of the Labour Protection Act of Thailand; and (ii) working conditions in the Company's Thailand Plant are not in conflict with the laws of Thailand.

During the Track Record Period, the Group outsourced 26 employees in Indonesia from service provider under a cooperation agreement. The outsourced employees were responsible for production and operational support work. Pursuant to the relevant cooperation agreement, Newtrend Nutrition shall determine the working hours, work standards and work procedures of the employees.

As advised by our Indonesian Legal Advisers, (i) the terms set forth in the relevant cooperation agreement are not in conflict with the relevant labour laws in Indonesia; (ii) the relevant cooperation agreement is legal, valid and enforceable; and (iii) the relevant labour sourcing arrangement is in compliance with the relevant laws of Indonesia.

Newtrend Nutrition provides its employees with staff accommodations. As advised by our Indonesian Legal Advisers, (i) Newtrend Nutrition does not engage in or utilise child labour in any of its operations and complies with applicable laws and regulations; and (ii) working conditions in our Indonesia Plant comply with the relevant Indonesian laws and regulations.

As required under the relevant PRC laws and regulations, we participate in the social welfare schemes organised by local, municipal and provincial governments which provide housing provident funds and pension, medical, work-related injury and unemployment insurance for our employees in the PRC. Save as disclosed under the paragraph headed "Legal proceedings and compliance — Failure to make full contribution to the social insurance plan and housing provident fund for our employees in the PRC" in this section below, we have complied with the relevant PRC labour and social welfare laws and regulations in all material aspects as advised by our PRC Legal Advisers.

As required under the relevant Indonesian laws, we are required to provide work insurance and health insurance for our employees in Indonesia. As advised by our Indonesian Legal Advisers, we have complied with the relevant labour law and regulations in all material aspects.

As required under the relevant Thailand laws, we are required to provide social security fund and employee compensation fund for our employees in Thailand. As advised by our Thailand Legal Advisers, we have complied with the relevant labour law and regulations in all material aspects.

We provide trainings to our employees so that they can meet various job requirements. Such trainings cover numerous aspects, such as safety production, usage of protective equipment, new production facilities and technology and basic knowledge of hazardous chemicals.

We believe that we have maintained positive working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant labour disputes which may adversely affect our business, financial condition or operating results.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations. Please refer to the section headed "Risk factors" in this document for a discussion of various operational risks and uncertainties we face. It is the responsibility of our Board to ensure that our Group maintains sound and effective internal controls to safeguard the Shareholders' investments and our Group's assets at all times. We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Financial reporting risk management

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

Regulatory compliance and legal risk management

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

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

Internal control risk management

In preparation for [**REDACTED**], our Group engaged an independent internal control adviser ("**IC Consultant**") to review the overall adequacy of our risk management and internal control systems associated with the major business processes of our Group and the other relevant procedures, systems and controls (including accounting and management systems) we have established.

Having considered the findings and recommendations of the IC consultant, we have taken actions to improve our risk management and internal control system. The IC Consultant has performed follow-up assessment with regard to the improvement actions adopted by us and provided us an updated report. As advised by the IC Consultant, no material deficiencies were identified in the follow-up assessment.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish internal control systems and procedures to manage the risks to which we are exposed and enhance the control environment at both the daily operation and management levels. Accordingly, our Directors are of the view, and the Sole Sponsor concurs, that the internal control systems currently implemented by our Group are adequate and effective as far as our operation is concerned.

We will carry out periodic reviews at both the management and the Board levels to ensure effective implementation of our risk management and internal control policies, procedures and measures and timely rectification of the issues identified.

LICENCES AND PERMITS

We have business operations in the PRC, Thailand and Indonesia. Our legal advisers from the respective jurisdictions have confirmed that our Group has obtained all material requisite licences, permits and approvals regarding our business operations during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we are not aware of any legal impediment to the renewal of our material licences, permits and certifications in relation to our business operations.

We have obtained the following government licences, permits and certifications which are material to our main business operations:

Licence/permit/ certification	Issuing authority	Holding entity	Validity period
Food Production Licence	Ji'an Municipal Market Supervision Administration	Our Company	From 29 April 2021 to 28 April 2026
	Yingtan City Administrative Approval Bureau	Jiangxi Ansun	From 10 April 2024 to 8 March 2026
Feed Additive Production Licence	Jiangxi Provincial Department of Agriculture and Rural Affairs	Jiangxi Ansun	From 6 February 2024 to 5 February 2029
Safety Production Licence	Tibet Autonomous Region Emergency Management Department	Xizang Newtrend	From 16 December 2022 to 15 December 2025
Hazardous Chemicals Registration Certificate[(Note 2)]	Emergency Management Department Chemical Registration Centre	Xizang Newtrend	From 4 July 2022 to 3 July 2025
Major Hazardous Sources of Hazardous Chemicals Registration	Work Safety Supervision Administration, Zangqing Industrial Park Management Committee, Tibet Autonomous Region	Xizang Newtrend	From 12 October 2022 to 11 October 2025
National Industrial Production Permit	Tibet Autonomous Region Market Supervision Administration	Xizang Newtrend	From 18 May 2023 to 17 May 2028
Hazardous Chemicals Business Licence	Emergency Management Bureau, Nanchang High-tech Industrial Development Zone Management Committee	Nanchang Newtrend	From 4 January 2024 to 3 January 2027
Pollutant Discharge Permit	Ecological Environment Bureau, National Jinggangshan Economic and Technological Development Zone	Our Company	From 17 April 2023 to 16 April 2028
	Yingtan City Yujiang Ecological Environment Bureau	Jiangxi Ansun	From 19 July 2022 to 18 July 2027
	Tibet Autonomous Region Zangqing Industrial Park Management Committee Planning, Construction and Environmental Protection Bureau	Xizang Newtrend	From 28 March 2022 to 27 March 2027

Licence/permit/ certification	Issuing authority	Holding entity	Validity period
Customs Registration of Consignors and Consignees of Import and Export Goods	Ji'an Customs of the PRC	Our Company	N/A *(Note 1)*
	Yingtan Customs of the PRC	Jiangxi Ansun	N/A *(Note 1)*
	Qingshan Lake Customs of the PRC	Nanchang Newtrend	N/A *(Note 1)*
B2 Import Approval Licence	Directorate General of Foreign Trade	Newtrend Nutrition	From 29 April 2025 to 27 April 2026
Industrial Business Licence	Ministry of Industry of Indonesia	Newtrend Nutrition	N/A *(Note 1)*
Feasible Function Certificate	Public Works and Spatial Planning Office of the Karawang Regency Government of Indonesia	Newtrend Nutrition	From 10 February 2022 to 9 February 2027
Letter of Permission for Land Utilisation and Business Operation in Industrial Estate	Industrial Estate Authority of Thailand	Newtrend Thailand	N/A *(Note 1)*
BOI Promotional Certificate	Thailand Board of Investment	Newtrend Thailand	N/A *(Note 1)*
Receipt of Notification of Industrial Operations in Industrial Estate	Industrial Estate Authority of Thailand	Newtrend Thailand	N/A *(Note 1)*
Food Import Licence	Thailand Food And Drug Administration	Newtrend Thailand	From 9 Nov 2022 to 31 Dec 2025

Notes:

1. "N/A" means that the relevant licence, permit or certification does not have an expiration date (i.e. valid indefinitely as long as business activities are continued).

2. As at the Latest Practicable Date, we have applied for the renewal of the Hazardous Chemicals Registration Certificate. As advised by our PRC Legal Advisers, there is no material legal impediment to the renewal of such certificate.

AWARDS AND RECOGNITIONS

As at the Latest Practicable Date, we had been granted various awards and recognitions including the following:

Year of receipt	Award/recognition	Issuing entity
Since 2009	High-tech Enterprise (高新技術企業)	Government of Jiangxi Province

Year of receipt	Award/recognition	Issuing entity
2021	Ranked 20th in FoodTalks Global Sweetener Top 50 Enterprises* (全球甜味劑企業50強)	FoodTalks
2018	Sweetener Research Centre of Jiangxi Province* (江西省甜味添加劑工程技術研究中心)	Jiangxi Provincial Department of Science and Technology* (江西省科學技術廳)
2009	Ji'an Food Additives Engineering Research Centre* (吉安市食品添加劑工程技術研究中心)	Ji'an Science and Technology Bureau* (吉安市科學技術局)
2022	Jiangxi Export Famous Brand Enterprise* (「江西出口名牌」企業)	Jiangxi Provincial Department of Commerce* (江西省商務廳)
2022	Jiangxi Province's "Specialised and New" Small and Medium-Sized Enterprise 2021* (2021年江西省「專精特新」中小企業) (for a term of three years)	Jiangxi Provincial Department of Industry and Information Technology* (江西省工業和信息化廳)
2019	Supplier of The Year	American Confectionery Customer
2018	FBI Foreign Body Prevention Initiative — Best Achievement Award	Swiss Food and Beverage Customer
2010	National Key New Product Certificate for sucralose produced by us* (國家重點新產品證書 — 三氯蔗糖)	Ministry of Science and Technology of the PRC* (中國科學技術部)
2023	Green and Low Carbon Enterprise* with AAA credit rating (綠色低碳信用評價AAA級企業)	Sangong International Credit Rating (Beijing) Co., Ltd.* (三公國際資信評估(北京)有限公司)
2024	Jiangxi Province's "Specialised and New" Small and Medium-Sized Enterprise 2024* (2024年江西省「專精特新」中小企業) (for a term of three years)	Jiangxi Provincial Department of Industry and Information Technology* (江西省工業和信息化廳)

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm, and our legal advisers from the respective jurisdictions concur, that during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, administrative proceedings or non-compliance incidents that led to fines, enforcement actions or other penalties, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operation. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Failure to make full contribution to the social insurance and housing provident fund for our employees in the PRC

During the Track Record Period and up to the Latest Practicable Date, certain subsidiaries of our Company did not make full contribution to social insurance and housing provident fund for some of our employees. This was mainly due to some of our employees in those PRC subsidiaries did not prefer to make full contribution as this would also increase their contribution. For each of FY2022, FY2023 and FY2024, the aggregate shortfall of our Group's contributions to social insurance and housing provident funds for our employees amounted to approximately RMB1.3 million, RMB1.3 million and RMB0.9 million respectively.

As advised by our PRC Legal Advisers, pursuant to the Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment, the maximum of which being approximately RMB0.5 million, RMB0.9 million and RMB0.8 million respectively for each of FY2022, FY2023 and FY2024. Our PRC Legal Advisers have further advised us that, pursuant to Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), if we fail to pay the full amount of housing provident fund as required, the housing provident fund authority may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement of the outstanding payment amounts of approximately RMB1.2 million, RMB1.0 million and RMB0.6 million respectively for each of FY2022, FY2023 and FY2024.

We are committed to be fully compliant with the applicable laws and regulations by gradually making statutory contributions to the social insurance and housing provident fund going forward. Subject to communication and coordination with the local government authorities, we expect full contributions for all our eligible employees based in the PRC will be made with the PRC authorities upon [**REDACTED**]. We undertake that if we receive any order from the relevant authorities requiring us to settle the outstanding social insurance payments and housing provident fund contributions within a certain

time period, we will fulfill the requirements in a timely manner. During the Track Record Period and up to the Latest Practicable Date, the authorities had not imposed any deadline for our compliance. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any employee's complaints nor we were involved in any labour disputes with our employees in relation to social insurance and housing provident funds contributions, which may have a material adverse effect on our business, finance and operations.

As confirmed by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, no record of administrative penalties or rectification order was found against us upon public inquiry. Given that (a) no administrative penalties had been imposed in connection with the shortfalls for the social insurance and housing provident funds; (b) we have obtained compliance certificates from the government authorities, of which our PRC Legal Advisers are of the view that they are being the competent authorities, confirming that (i) our Company and our subsidiaries were not being requested to pay any outstanding balance; and (ii) our Company and our subsidiaries were not subject to any administrative penalties due to any other breaches of PRC laws and regulations relating to labour and social security or housing provident fund during the Track Record Period and up to the Latest Practicable Date; (c) no employee's complaints had been filed against us during the Track Record Period and up to the Latest Practicable Date; and (d) we will pay any shortfall within a prescribed time period if demanded so by relevant competent authorities, our PRC Legal Advisers are of the view that the risk of being ordered to pay and imposed administrative penalties by the relevant competent authorities for not paying social insurance plan and housing provident funds for our employees is remote.

Our Controlling Shareholders undertake to make up for any outstanding contributions as well as fines or penalties incurred therefrom in accordance with the amount approved by the competent authorities and to compensate us in full for any economic losses caused by such matters.

Based on the above, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole.

To avoid future occurrences of such non-compliance, we have taken steps to enhance our internal control measures. We actively carry out policy publicity and ideological work for employees and pay the housing provident fund for them in accordance with the policy requirements. We further standardise remuneration and other mechanisms, improve the stability of employees, and timely pay housing provident funds for these types of employees in accordance with policy requirements. We have also provided training to the staff of the human resources department to enhance their understanding and compliance awareness of relevant laws and regulations in the PRC.

Property-related non-compliance incident

Ji'an Plant Building Works

Our Company had not obtained construction planning approval (建設工程規劃許可證), construction permit and approval (建築工程施工許可證) and construction completion and acceptance (建設項目竣工驗收) for our warehouse and offices ("**Building Works**") located in our Ji'an Plant with an aggregate gross floor area of approximately 720 sq.m., due to our lack of clear understanding of the applicable local laws and regulations.

As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, if corrective measures can be taken, we may be ordered to rectify within a time limit and face a fine ranging from 5% to 10% of the construction cost, the maximum amount of such fine being RMB45,820. If corrective measures cannot be taken, we may be ordered to demolish our properties. If the relevant properties cannot be demolished, we may face confiscation of tangible objects and face a fine of no more than 10% of the construction cost.

As of the Latest Practicable Date, we are communicating with the Urban Construction Management Bureau of Jinggangshan Economic and Technological Development Zone* (井岡山經濟技術開發區城市建設管理局) (the "**Bureau**") on the application process and materials for the relevant construction planning approvals, permits and as-built acceptance. The expected grant dates of the above approvals and permits will be subject to the communication with and approval process of the Bureau. We have obtained a confirmation from the Bureau confirming that (i) under the prerequisite that the application materials submitted by our Company are legal and complete, the relevant construction permit and as-built acceptance filings will be proceeded in accordance with law; and (ii) our use of the Building Works before completing the as-built acceptance filings does not constitute a material non-compliance.

As advised by our PRC Legal Advisers, the Bureau is a competent government authority in charge of construction projects where Building Works are located and has the power to supervise and administrate the as-built acceptance filings. Based on such confirmation, our PRC Legal Advisers are of the view that the risk of relevant governmental authority imposing a material administrative penalty on us due to our use of the Building Works without applying construction permit and completing as-built acceptance filings during the Track Record Period is remote.

Xizang Plant Workshops

Our Company had not obtained the ownership certificates (產權證) for our workshops located in our Xizang Plant ("**Xizang Plant Workshops**") with an aggregate gross floor area of approximately 22,922.65 sq.m., due to the lack of clarity of the land management authority of Xizang Autonomous Region Zangqing Industrial Park* (西藏自治區藏青工業園區) ("**Industrial Park**") where Xizang Plant Workshops are located. As advised by our PRC Legal Advisers, the absence of the ownership certificates (產權證) for Xizang Plant Workshops will not give rise to any penalty from any competent governmental authority.

We have obtained a confirmation from the competent governmental authority, namely Planning, Construction and Environmental Protection Bureau (Bureau of Land and Resources) of the Management Committee of Xizang Autonomous Region Zangqing Industrial Park* (西藏自治區藏青工業園區管理委員會規劃建設環境保護局(國土資源局)) (the "**Management Committee**"), confirming that (i) the governments of Xizang Autonomous Region and Qinghai Province are negotiating on the unclarity of the land management authority of the Industrial Park, and will start the registration of property rights once the unclarity is settled; (ii) provided that the land management authority of the Industrial Park is agreed by the governments, there is no substantial obstacle for Xizang Newtrend to proceed with the registration procedures and obtain the ownership certificates for Xizang Plant Workshops; (iii) the temporary absence of ownership certificates of Xizang Plant Workshops does not affect the normal production and operation of Xizang Newtrend, and there is no risk that Xizang Plant Workshops will be dismantled or repossessed due to the lack of ownership certificates; and (iv) Xizang Plant Workshops are built on the land legally used by Xizang Newtrend for its business production and operation, and the Management Committee supports Xizang Newtrend to continue to use Xizang Plant Workshops and will not penalise Xizang Newtrend in this regard.

As advised by our PRC Legal Advisers, the Management Committee is a competent government authority in charge of the Industrial Park where Xizang Plant Workshops are located and has the power to proceed the registration of property rights and issue the ownership certificates. Given that (i) the construction of Xizang Plant Workshops has duly performed the corresponding procedures; (ii) Xizang Newtrend is able to utilise Xizang Plant Workshops normally; and (iii) there is no substantial obstacle in the expected registration of property rights, our PRC Legal Advisers are of the view that the temporary absence of ownership certificates of Xizang Plant Workshops will not have a material adverse impact on the [**REDACTED**].

To prevent future non-compliances with respect to relevant construction laws and regulations, we have implemented and enhanced internal control measures, which include: (i) we will obtain the requisite licences and permits (including but not limited to construction permits and as-built acceptance filings) as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings; (ii) we will seek our PRC Legal Advisers' advice on the issues relating to the compliance of construction laws and regulations; (iii) we will establish a set of policies and procedures to obtain relevant permits for acceptance, including but not limited to construction land use planning permit and construction project planning permit, and construction permit; and (iv) our legal department will monitor the implementation of the above measures and will check whether there is any non-compliance going forward.

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the [**REDACTED**], our Company is owned directly as to (i) approximately 41.1% by Newtrend Industrial; (ii) approximately 6.9% by Mr. Wang; and (iii) approximately 6.8% by Juhexing Investment. Newtrend Industrial is owned as to 50% and 50% by Mr. Wang and Ms. Ding, respectively. Juhexing Investment is controlled by Ms. Ding as its sole general partner. Mr. Wang and Ms. Ding are spouses. Accordingly, Mr. Wang, Ms. Ding, Newtrend Industrial and Juhexing Investment constitute a group of Controlling Shareholders before [**REDACTED**].

Immediately following completion of the [**REDACTED**], the group of our Controlling Shareholders will be, in aggregate entitled to control the exercise of approximately [**REDACTED**]% of the voting rights (assuming the [**REDACTED**] is not exercised) or approximately [**REDACTED**]% of the voting rights (assuming the [**REDACTED**] is exercised in full) and thus remain as a group of Controlling Shareholders.

For details of the relationship among the group of Controlling Shareholders, and their shareholding in our Company, please refer to the sections headed "History and corporate structure" and "Substantial shareholders" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from our Controlling Shareholders and their respective close associates after [**REDACTED**].

Management independence

Our business is managed and conducted by our Board, supervisors and senior management. Upon [**REDACTED**], our Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors. Our core management team is led by Mr. Wang and consists of five of our senior management members, namely Mr. Wang Hao, Ms. Chen Lijun, Mr. Huang Donggen, Mr. Wan Zhixin and Mr. Zheng Mo. Notwithstanding the roles of Mr. Wang, our Directors are of the view that our Company is able to function independently from our Controlling Shareholders for the following reasons:

(i) our Board comprises nine Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of our Board. This provides a balance between the number of interested Directors and independent non-executive Directors with a view to promote the interests of our Company and of the Shareholders as a whole. This board composition is also in line with the requirements as set out in the Listing Rules;

(ii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;

(iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interests and shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum;

(iv) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(v) our senior management team possesses in-depth experience and understanding of the industry in which our Group operates; and

(vi) our Company has adopted a series of corporate measures to manage conflicts of interest, if any, between our Company and our Controlling Shareholders. Please refer to the paragraph headed "Corporate governance measures" in this section for further information.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after [**REDACTED**].

Operational independence

We do not rely on our Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specialising in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

During the Track Record Period, our Group entered into an office lease agreement ("**Office Lease Agreement**") with Mr. Wang in relation to the leasing of an office located in Shenzhen, Guangdong (the "**Premises**") for a term of three years from 1 January 2023 to 31 December 2025. The rental payable to Mr. Wang by Newtrend Health is RMB23,000 per month. The total amount of rental paid by Newtrend Health to Mr. Wang under the Office Lease Agreement was RMB276,000, RMB276,000 and RMB276,000 for FY2022, FY2023 and FY2024, respectively. The floor area of the Premises is 387 sq.m..

The Office Lease Agreement was entered into (i) in the ordinary and usual course of business of our Group; (ii) on arm's length basis; and (iii) on normal commercial terms with the rental being determined with reference to, among others, the prevailing market rental prices of comparable premises in the locality and the acreage of the Premises and the area rented.

In accordance with IFRS 16 "Leases", our Company recognised a right-of-use asset on its balance sheet in connection with the lease of the Premises. Therefore, the transaction under the Office Lease Agreement was recorded as an acquisition of a capital asset and one-off connected transaction of our Company for the purpose of the Listing Rules.

Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements with respect to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Office Lease Agreement and the transaction thereunder.

Given that (i) the Office Lease Agreement is on normal commercial terms after arm's-length negotiations in the ordinary and usual course of our business; and (ii) even if Mr. Wang terminates such agreement, the interruption to our business would be limited as we would be able to find an alternative lease in the market, our Directors believe that the lease of the Premises from Mr. Wang would not cast doubts on our operational independence.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders and their close associates.

Financial independence

Our Group has an independent financial system and a finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are able to make financial decisions independent from our Controlling Shareholders and their respective close associates, and they do not intervene with our use of funds. We have also established an independent and sound audit system, a standardised financial and accounting system and a complete financial management system.

Our Directors believe that we have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. As of 31 December 2024, our banking deposit balance amounted to approximately RMB51.5 million. The Company generated net cash from its operating activities in the amount of approximately RMB192.4 million, RMB26.2 million and RMB4.3 million for each of FY2022, FY2023 and FY2024, respectively.

During the Track Record Period, our Controlling Shareholders provided guarantees over certain loans and finance leases for the benefit of our Group, all of which have been or will be released upon [**REDACTED**]. Going forward, we believe that we will be capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

Having considered the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates after [**REDACTED**].

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders and the Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 and Rule 19A.14 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflicts of interest between our Group and our Controlling Shareholders:

(i) a Director with material interests shall make full disclosure in respect of any matters that conflict or potentially conflict with our interests (including transactions in which a Director has an interest in a company that will enter into an agreement with our Group) and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(ii) our Board will consist of a balanced composition of executive and non-executive Director, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. We believe that our independent non-executive Directors, individually and together, possess the requisite knowledge and experience, and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement. They are committed to providing an impartial and external opinion to protect the interests of our public Shareholders. For further details on our independent non-executive Directors, please refer to the section headed "Directors, Supervisors and senior management — Board of Directors — Independent non-executive Directors" of this document;

(iii) as part of our preparation for [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon the [**REDACTED**]. In particular, our Articles of Association provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(iv) in the event that any potential conflict of interest arises at the shareholders' level, our Controlling Shareholders shall abstain from voting in the shareholders' meeting of our Company with respect to the relevant resolution(s);

(v) we have established an Audit Committee, a Remuneration Committee and a Nomination Committee to assess, control and ensure that our Board is appropriately advised, as to matters relating to, among other things, our relationship with our external auditors and internal audit function, the remuneration of our Directors and our senior management, and the composition of our Board. Our Audit Committee comprises independent non-executive Directors and each of our Remuneration Committee and Nomination Committee comprises a majority of independent non-executive Directors. In addition, the chairman of each of our Audit Committee and Remuneration Committee is an independent non-executive Director. For details of our committees and their composition, please refer to the section headed "Directors, Supervisors and senior management — Board committees" of this document;

(vi) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its close associates, our Company will comply with the applicable Listing Rules;

(vii) as required by the Listing Rules, our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders. Where our Directors reasonably request the advice of independent professionals, such as financial advisers, for this purpose, the appointment of such independent professionals will be made at our Company's expenses;

(viii) each of our Controlling Shareholders agrees to provide all information reasonably requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information; and

(ix) we have appointed CMBC International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or their respective close associates, and to protect minority Shareholders' interests after [**REDACTED**].

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for, and has general powers for, the management and conduct of our Group's business.

The table below sets forth certain information regarding our Directors:

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Time of joining our Group	Date of appointment as Director	Relationship with other Directors, Supervisors and/or senior management
Executive Directors						
Mr. Wang Xiaoqiang (王小強)	67	Chairman of our Board, executive Director and general manager	Responsible for overall strategic planning, major decision making and management of our Group's business development and operations	December 2003	8 September 2006	Father of Mr. Wang Hao; cousin of Mr. Wu Dingfeng and uncle of Ms. Zuo Yue
Mr. Wang Hao (王皓)	35	Executive Director and deputy general manager	Responsible for the sales promotion of our products to domestic and overseas markets and the development of new products	April 2013	12 September 2016	Son of Mr. Wang
Ms. Chen Lijun (陳麗君)	59	Executive Director and chief financial officer	Responsible for overseeing our financial reporting, financial planning and financial control matters	December 2003	25 August 2007	None
Mr. Wu Dingfeng (吳丁峰)	51	Executive Director	Responsible for overseeing and managing the operation of Xizang Newtrend	March 2005	24 March 2017	Cousin of Mr. Wang
Ms. Zuo Yue (左玥)	32	Executive Director	Responsible for financial planning and managing our Group's financial resources	July 2015	21 June 2024	Niece of Mr. Wang
Non-executive Director						
Mr. Xiao Fan (肖帆)	40	Non-executive Director	Responsible for providing guidance and advice on the business strategies of our Group	October 2021	4 November 2021	None

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Time of joining our Group	Date of appointment as Director	Relationship with other Directors, Supervisors and/or senior management
Independent non-executive Directors						
Dr. Song Jingjin (宋京津)	53	Independent non-executive Director	Responsible for advising on issues relating to corporate governance, audit and remuneration and assessment of Directors, Supervisors and senior management of the Company	September 2022	21 June 2024	None
Dr. Li Ling (李玲)	38	Independent non-executive Director	Responsible for advising on issues relating to technology, research and remuneration and assessment of Directors, Supervisors and senior management of the Company	November 2021	21 June 2024	None
Mr. Lo Kwing Yu (盧炯宇)	61	Independent non-executive Director	Responsible for advising on issues relating to corporate governance, legal and remuneration and assessment of Directors, Supervisors and senior management of the Company	May 2024	21 June 2024	None

Executive Directors

Mr. Wang Xiaoqiang (王小強), aged 67, is the chairman of our Board, our executive Director, our general manager and one of our Controlling Shareholders. He is also the chairperson of our Nomination Committee. Mr. Wang is primarily responsible for the overall strategic planning, technical development, major decision making and management of our Group's business development and operations. Mr. Wang also serves as a director of certain members of our Group, namely Newtrend Health, Nanchang Newtrend, Jiangxi Ansun, Ji'an Zhike, NTFC (HK) Co., Limited (新琪安(香港)有限公司), Newtrend Nutrition, PT. NTFC Trading Indonesia and Newtrend Thailand.

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

December 2003 and has been working in our Company and other members of our Group for the production and sale of food additives since December 2003.

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

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

Mr. Wang was previously a director and/or general manager of the companies shown in the table below prior to their respective deregistration or cancellation of business licence:

Name of company	Place of establishment	Status	Date of deregistration/ cancellation of business licence	Reason for deregistration/ cancellation of business licence	Nature of business at the commencement of deregistration or cancellation of business licence
Xizang Taihe Chemical Technology Co.* (西藏泰和化工科技有限公司)	PRC	Deregistered	22 October 2019	Discontinuance of business	Research and development of potash chemical technology and potash fertiliser products
Ji'an Ansun Properties Co.* (吉安市安晟置業有限公司)	PRC	Deregistered	3 March 2014	Discontinuance of business	Real estate development and operation, and property management
Ji'an Chuangjia Industrial Co.* (吉安市創佳實業有限公司)	PRC	Deregistered	24 February 2014	Discontinuance of business	Production and sale of electronic products, and development and manufacturing of hardware, plastic products and mould
Ji'an Newtrend Trading Co.* (吉安市新琪安貿易有限公司)	PRC	Deregistered	31 August 2011	Discontinuance of business	Sale, import and export of chemical products, raw material and machinery and equipment
New Star Investment and Development Co.* (新星投資開發有限公司)	PRC	Deregistered	8 August 1996	Discontinuance of business	Production and operation of microcomputers, and development of small and medium-sized computer software
Jiangxi Feihong Electronic Technology Service Co.* (江西飛虹電子科技服務股份有限公司)	PRC	Business licence was cancelled	21 December 2004	Failure to comply with administrative requirement	Manufacture and sale of electronic and communication equipment, and provision of computer application services

Mr. Wang confirmed that, to his best knowledge, none of the above companies had been involved in any outstanding dispute or litigations prior to their deregistration or cancellation of business licence and that the above companies were solvent at the time of deregistration or cancellation of business licence, and he did not incur any debt and/or liabilities because of such deregistration or cancellation of business licence, and no misconduct or misfeasance on his part had been involved in the deregistration or cancellation of business licence, and that the deregistration or cancellation of business licence did not have any negative effect on the Group.

Mr. Wang Hao (王皓), aged 35, is our executive Director and deputy general manager. Mr. Wang Hao is primarily responsible for the sales promotion of our products to domestic and overseas markets and the development of new products. Mr. Wang Hao also serves as a director of certain members of our Group, namely Newtrend Nutrition, PT. NTFC Trading Indonesia, Newtrend Europe and Newtrend Thailand.

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

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

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

Ms. Chen Lijun (陳麗君), aged 59, is our executive Director and chief financial officer. She is also a member of our Remuneration Committee. Ms. Chen is responsible for overseeing our financial reporting, financial planning and financial control matters.

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

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

Ms. Chen was previously a supervisor of the company shown in the table below prior to its deregistration:

Name of company	Place of incorporation/ establishment	Status	Date of deregistration	Reason for deregistration	Nature of business at the commencement of deregistration
Ji'an Ansun Properties Co.* (吉安市安晟置業有限公司)	PRC	Deregistered	3 March 2014	Discontinuance of business	Real estate development and operation, and property management

Ms. Chen confirmed that, to the best of her knowledge, the above company had not been involved in any outstanding dispute or litigations prior to its deregistration and that the above company was solvent at the time of deregistration, and she did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on her part had been involved in the deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Wu Dingfeng (吳丁峰), aged 51, is our executive Director. He is primarily responsible for overseeing and managing the operation of Xizang Newtrend. Mr. Wu also serves as an executive director of Xizang Newtrend, a member of our Group.

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

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

Mr. Wu is a cousin of Mr. Wang.

Mr. Wu was a director and general manager of the company shown in the table below prior to its deregistration:

Name of company	Place of establishment	Status	Date of deregistration	Reason for deregistration	Nature of business at the commencement of deregistration
Shohongan (Ji'an) Electronics Co.* (燦宏安(吉安)電子有限公司)	PRC	Deregistered	14 March 2016	Discontinuance of business	Production and sale of LED lighting fixtures, drivers, lighting and related accessories

Mr. Wu confirmed that, to the best of his knowledge, the above company had not been involved in any outstanding dispute or litigations prior to its deregistration and that the above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on his part had been involved in the deregistration, and that the deregistration did not have any negative effect on the Group.

Ms. Zuo Yue (左玥), aged 32, is our Executive Director. She is primarily responsible for financial planning and managing our Group's financial resources.

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

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

Ms. Zuo is a niece of Mr. Wang.

Non-executive Director

Mr. Xiao Fan (肖帆), aged 40, is our non-executive Director. He is primarily responsible for providing guidance and advice on the business strategies of our Group.

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

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

Mr. Xiao was a director of the company shown in the table below at the commencement of its insolvency proceedings:

Name of company	Place of incorporation/ establishment	Status	Nature of proceedings	Nature of business at the commencement of proceedings
Fujian Jiulongbaodian Media Co. Ltd.* (福建九龍寶典傳媒股份有限公司)	PRC	Insolvency proceedings have been completed	Insolvency proceedings	Design and production of advertisements

Mr. Xiao confirmed that, to the best of his knowledge, the above company had not been involved in any outstanding dispute or litigations prior to the commencement of insolvency proceedings and he has not incurred any debt and/or liabilities because of such insolvency proceedings, and no misconduct or misfeasance on his part had been involved in such insolvency proceedings, and that such insolvency proceedings does not have any negative effect on the Group.

Independent non-executive Directors

Dr. Song Jingjin (宋京津), aged 53, was appointed as our independent Director in September 2022 and was re-designated as our independent non-executive Director in June 2024. Dr. Song is also the chairperson of our Audit Committee and Remuneration Committee and a member of our Nomination Committee. Dr. Song is responsible for participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

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

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

Dr. Li Ling (李玲), aged 38, was appointed as our independent Director in November 2021 and was re-designated as our independent non-executive Director in June 2024. Dr. Li is also a member of our Audit Committee and Nomination Committee. Dr. Li is responsible for participating in the decision making for our Company's significant events, and advising on issues relating to technology, research and remuneration and assessment of our Directors, Supervisors and senior management.

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

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

Mr. Lo Kwing Yu (盧炯宇), aged 61, was appointed as our independent Director in May 2024 and was re-designated as our independent non-executive Director in June 2024. Mr. Lo is also a member of our Audit Committee and Remuneration Committee. Mr. Lo is responsible for participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, legal and remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Lo has served as an independent non-executive director of Global Sweeteners Holdings Limited (大成糖業控股有限公司) (Stock Code: 3889) since 2014.

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

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

SUPERVISORY BOARD

The PRC Company Law requires our Company to establish a supervisory board that is responsible for supervising, among others, the performance of our Directors and senior management and our Company's financial operations. Our Supervisory Board consists of three Supervisors. Our Supervisors are elected for a term of three years and are subject to re-election upon the expiry of such term.

The following table sets forth information regarding our Supervisors:

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Time of joining our Group	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and/or senior management
Mr. Shi Yueqiang (施越強)	59	Chairman of the Supervisory Board	Responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties	May 2010	16 November 2017	None
Ms. Guo Lideng (郭麗燈)	39	Supervisor and domestic sales director	Responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties	February 2007	4 November 2021	None

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Time of joining our Group	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and/or senior management
Mr. Liu Huojin (劉鈥金)	50	Employees' representative Supervisor	Responsible for monitoring financial position of our Group, and supervising the performance of Directors and senior management as a representative of our employees	May 2008	29 December 2023	None

SUPERVISORS

Mr. Shi Yueqiang (施越強), aged 59, has been the chairman of the Supervisory Board since November 2017. Mr. Shi joined our Group as a deputy general manager of our Company in May 2010 and is currently the director of president's office of our Company. Mr. Shi is responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties.

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

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

Ms. Guo Lideng (郭麗燈), aged 39, has been a Supervisor since November 2021. Ms. Guo joined our Group as a sales manager in February 2007 and is now our domestic sales director. Ms. Guo is responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties.

Ms. Guo obtained an associate degree in Business English in July 2006 from Nanchang Institute of Technology (南昌理工學院) in the PRC.

Mr. Liu Huojin (劉鈥金), aged 50, has been an employees' representative Supervisor since December 2023. Mr. Liu has been working as the workshop manager of our Company since May 2008. Mr. Liu is responsible for monitoring financial position of our Group, and supervising the performance of our Directors and senior management as a representative of our employees.

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

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

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of business of our Company. The following table sets forth information regarding the members of senior management of our Company:

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Time of joining our Group	Date of appointment as senior management	Relationship with other Directors, Supervisors and/or senior management
Mr. Wang Xiaoqiang (王小強)	67	Chairman of our Board, executive Director and general manager	Responsible for overall strategic planning, major decision making and management of our Group's business development and operations	December 2003	8 September 2006	Father of Mr. Wang Hao
Mr. Wang Hao (王皓)	35	Executive Director and deputy general manager	Responsible for the sales promotion of our products to domestic and overseas markets and the development of new products	April 2013	16 November 2017	Son of Mr. Wang
Ms. Chen Lijun (陳麗君)	59	Executive Director and chief financial officer	Responsible for overseeing our financial reporting, financial planning, treasury and financial control matters	December 2003	16 November 2017	None
Mr. Huang Donggen (黃冬根)	39	Deputy general manager	Responsible for overseeing and managing the production and operation of our Group	January 2012	27 May 2023	None
Mr. Wan Zhixin (萬智欣)	35	Assistant to the general manager	Responsible for overseeing and managing the design, research and development of our Group	April 2012	23 October 2021	None
Mr. Zheng Mo (鄭莫)	42	Secretary of the Board and deputy general manager	Responsible for overall information disclosure and investor relationship of our Group	August 2023	30 November 2023	None

Mr. Wang Xiaoqiang (王小強), aged 67, is an executive Director and general manager of our Company. Please refer to "Board of Directors — Executive Directors" in this section for the details of his biography.

Ms. Chen Lijun (陳麗君), aged 59, is an executive Director and chief financial officer of our Company. Please refer to "Board of Directors — Executive Directors" in this section for the details of her biography.

Mr. Wang Hao (王皓), aged 35, is an executive Director and deputy general manager of our Company. Please refer to "Board of Directors — Executive Directors" in this section for the details of his biography.

Mr. Huang Donggen (黃冬根), aged 39, is the deputy general manager of our Company. He is primarily responsible for overseeing and managing the production and operation of our Group. Mr. Huang has over 10 years of experience in the food additives manufacturing industry. Mr. Huang joined our Group in January 2012 as the manager of the equipment and environmental protection department of our Company. Prior to joining our Group, Mr. Huang worked as an equipment engineer at Ji'an Youteli Technology Co. Ltd.* (吉安市優特利科技有限公司), a company principally engaged in the production and sales of lithium-ion cell and batteries, from July 2008 to November 2011.

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

Mr. Wan Zhixin (萬智欣), aged 35, is the assistant to the general manager of our Company. He is primarily responsible for overseeing and managing the design, research and development of our Group. Mr. Wan has over 10 years of experience in the food additives manufacturing industry. Mr. Wan joined our Group in April 2012 as the manager of the technical quality department of our Company.

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

Mr. Zheng Mo (鄭莫), aged 42, is the secretary of the Board, deputy general manager and the joint secretary of our Company. He is primarily responsible for handling overall information disclosure and investor relationship of our Group. Mr. Zheng joined our Group in August 2023 as the secretary of the Board. Mr. Zheng has experience in the finance industry. Prior to joining our Group, Mr. Zheng worked at Changjiang Financing Services Co., Limited (長江證券承銷保薦有限公司), a company principally engaged in the provision of financial services in July 2010. He also worked at Industrial Securities Co., Ltd.* (興業證券股份有限公司), a company principally engaged in the provision of securities investment consultation and investment fund custody services, from April 2016 to August 2023.

Mr. Zheng obtained a master's degree in Finance from Xiamen University (廈門大學) in the PRC in 2010, and is a Chartered Financial Analyst (CFA) charterholder.

OTHER INFORMATION

Save as disclosed in this section and in "Statutory and general information — C. Further information about our Directors, Supervisors, senior management and substantial shareholders" in Appendix VI to this document:

(1) each of our Directors, Supervisors and members of senior management does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;

(2) each of our Directors, Supervisors and members of senior management has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date;

(3) each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 and Rule 19A.14 of the Listing Rules;

(4) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management;

(5) each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO;

(6) to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and no other matters are required to be brought to the attention of Shareholders as of the Latest Practicable Date;

(7) each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 23 June 2024, and (ii) understands his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules; and

(8) each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

JOINT COMPANY SECRETARIES

Mr. Zheng Mo (鄭莫) was appointed as our joint company secretary on 19 June 2024, taking effect from 22 May 2025. Please refer to "Senior management" in this section for details of his biography.

Ms. Wong Wai Yee Ella (黃慧兒) was appointed as our joint company secretary on 19 June 2024, taking effect from 22 May 2025. Ms. Wong currently serves as the company secretary and joint company secretary for various companies listed on the Stock Exchange. Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies. Ms. Wong holds a bachelor's degree in Economics from the University of Hong Kong and a postgraduate diploma in Corporate Administration from City University of Hong Kong. Ms. Wong is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

AUTHORISED REPRESENTATIVES

Ms. Zuo Yue and Ms. Wong Wai Yee Ella are our authorised representatives under Rule 3.05 of the Listing Rules.

COMPLIANCE ADVISER

We have appointed CMBC International Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under Chapters 14 and/or 14A of the Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results of operations deviate from any information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the [**REDACTED**] or [**REDACTED**] of our Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the compliance adviser will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The compliance adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the engagement will commence on the [**REDACTED**] and is expected to end on the date on which we distribute our annual report as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the [**REDACTED**], or when the appointment of CMBC International Capital Limited is terminated, whichever is earlier. Such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

We have established the following committees in our Board: the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board. Our Audit Committee currently consists of Dr. Song Jingjin, Mr. Lo Kwing Yu and Dr. Li Ling. Dr. Song Jingjin is the chairperson of our Audit Committee.

Nomination Committee

We established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board, assess the independence of independent non-executive Directors, formulate and review the board diversity policy of our Company, and make recommendations to our Board on matters relating to the appointment of our Directors. Our Nomination Committee currently consists of Mr. Wang, Dr. Song Jingjin and Dr. Li Ling. Mr. Wang is the chairperson of our Nomination Committee.

Remuneration Committee

We established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Remuneration Committee are (i) to make recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) to determine the specific remuneration packages of all Directors and senior management; and (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time. Our Remuneration Committee currently consists of Dr. Song Jingjin, Mr. Lo Kwing Yu and Ms. Chen Lijun. Dr. Song Jingjin is the chairperson of our Remuneration Committee.

CORPORATE GOVERNANCE

Code Provision C.2.1 of the Corporate Governance Code

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules after [**REDACTED**], except for Code Provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

We do not have a separate chairperson and general manager, and Mr. Wang, our chairman of the Board, executive Director and general manager, currently performs these two roles. Our Board considers that vesting the roles of chairman and general manager in the same person is beneficial to the management of our Group. With extensive experience in the food additives manufacturing industry and having served in our Company since its establishment, Mr. Wang is the Director best suited to steer the overall management, business, strategic development and scientific research and development of our Group. The balance of power and authority is ensured by the operation of our Board, our Supervisors and our senior management, which comprises experienced and visionary individuals. Our Board currently comprises five executive Directors (including Mr. Wang), one non-executive Director, and three independent non-executive Directors, and therefore has a strong independence element in its composition.

The Board will continue to review and consider splitting the roles of chairperson and chief executive of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole. Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after [**REDACTED**].

Board diversity policy

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

Our Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. Our Nomination Committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval.

Our Board comprises five male members and four female members, with five executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board has a balanced mix of experiences and industry background, including industry experiences in food additives manufacturing, chemistry, accounting and management, and human resources. Our independent non-executive Directors have a diverse education background and industry background in chemistry, legal, accounting and human resources, and have obtained professional qualifications.

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors received their remuneration in the form of salaries, social security, housing benefits and other employee benefits, the employer's contribution to the pension plans and discretionary bonuses.

For FY2022, FY2023 and FY2024, the aggregate amount of emoluments paid or payable to our Directors amounted to approximately RMB1.8 million, RMB2.0 million and RMB1.9 million, respectively.

For FY2022, FY2023 and FY2024, the aggregate amount of emoluments paid or payable to our Supervisors amounted to approximately RMB673,000, RMB601,000 and RMB556,000, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending 31 December 2025 to be approximately RMB2.6 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

Three of the five individuals with the highest emoluments in the Group were Directors for the Track Record Period. The total emolument for the remaining individuals among the five highest paid individuals for FY2022, FY2023 and FY2024 were RMB682,000, RMB796,000 and RMB1,037,000, respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

So far as our Directors are aware, immediately following completion of the [**REDACTED**], the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholders	Nature of interest	Description of Shares upon completion of the [REDACTED]	Number of Shares[(1)]	Approximate percentage of shareholding in the issued share capital of our Company as of the date of document	Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED]	Approximate percentage of shareholding in our Domestic Shares/ H Shares upon completion of the [REDACTED]
Mr. Wang[(2)(3)(4)]	Interest in controlled corporation	Domestic Shares	[REDACTED]	41.1%	[REDACTED]%	[REDACTED]%
	Beneficial interest	Domestic Shares	[REDACTED]	6.9%	[REDACTED]%	[REDACTED]%
	Interests of spouse	H Shares	[REDACTED]	6.8%	[REDACTED]%	[REDACTED]%
Ms. Ding[(2)(3)(4)]	Interest in controlled corporation	Domestic Shares	[REDACTED]	41.1%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	H Shares	[REDACTED]	6.8%	[REDACTED]%	[REDACTED]%
	Interests of spouse	Domestic Shares	[REDACTED]	6.9%	[REDACTED]%	[REDACTED]%
Newtrend Industrial[(3)]	Beneficial interest	Domestic Shares	[REDACTED]	41.1%	[REDACTED]%	[REDACTED]%
Juhexing Investment[(4)]	Beneficial interest	H Shares	[REDACTED]	6.8%	[REDACTED]%	[REDACTED]%
Guoxin Hongsheng[(5)]	Beneficial interest	H Shares	[REDACTED]	9.8%	[REDACTED]%	[REDACTED]%
Shenzhen Taisheng Investment Management Enterprise (Limited Partnership)* (深圳市泰盛投資管理企業(有限合夥)) ("**Taisheng Investment**")[(5)]	Interest in controlled corporation	H Shares	[REDACTED]	9.8%	[REDACTED]%	[REDACTED]%
Shenzhen Taisheng Junhe Investment Management Co., Ltd.* (深圳市泰盛君合投資管理有限公司) ("**Taisheng Junhe**")[(5)]	Interest in controlled corporation	H Shares	[REDACTED]	9.8%	[REDACTED]%	[REDACTED]%
Mr. Long Yong (龍湧)[(5)]	Interest in controlled corporation	H Shares	[REDACTED]	9.8%	[REDACTED]%	[REDACTED]%
Mr. Huang Hui (黃暉)[(5)]	Interest in controlled corporation	H Shares	[REDACTED]	9.8%	[REDACTED]%	[REDACTED]%
Guangzhou Fuxing Investment Partnership (Limited Partnership)* (廣州富興投資合夥企業(有限合夥)) ("**Fuxing Investment**")[(6)]	Beneficial interest	H Shares	[REDACTED]	6.0%	[REDACTED]%	[REDACTED]%
Ms. Chen Lin (陳琳)[(6)]	Interest in controlled corporation	H Shares	[REDACTED]	6.0%	[REDACTED]%	[REDACTED]%
Industrial Capital Management Co., Ltd.* (興証創新資本管理有限公司) ("**Industrial Capital Management**")[(7)]	Interest in controlled corporation	H Shares	[REDACTED]	11.4%	[REDACTED]%	[REDACTED]%

Notes:

(1) All interests are long positions.

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

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

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

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

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

(7) Industrial Capital Management is the sole general partner of Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership)* (福建興證戰略創業投資企業(有限合夥)) ("**Xingzheng Strategic Venture**"), Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership)* (平潭興證賽富股權投資合夥企業(有限合夥)) ("**Xingzheng Saifu Investment**") and Pingtan Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership)* (平潭興證賽富一股權投資合夥企業(有限合夥)) ("**Xingzheng Saifu No.1 Investment**"). Upon completion of the [**REDACTED**], each of Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No.1 Investment holds approximately [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of the Shares in our Company, respectively. As such, Industrial Capital Management is deemed to be interested in the Shares held by Xingzheng Strategic Venture, Xingzheng Saifu Investment and Xingzheng Saifu No.1 Investment.

Save as disclosed above and in "Appendix VI — Statutory and general information — C. Further Information about our Directors, Supervisors, senior management and substantial shareholders — 1. Disclosure of interests" to this document, our Directors are not aware of any persons who will, immediately following completion of the [**REDACTED**], have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

This section presents certain information regarding our share capital before and upon completion of the [**REDACTED**].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB85,645,834 divided into 85,645,834 Domestic Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the [**REDACTED**], our Company's share capital will be as follows:

Description of Shares	**Number of Shares**	**Approximate percentage of total share capital**
Domestic Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be converted from Domestic Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	[**REDACTED**]%

RANKING

Upon completion of the [**REDACTED**], the Shares will consist of H Shares and Domestic Shares. H Shares and Domestic Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional [**REDACTED**] in the PRC, the qualified PRC [**REDACTED**] under the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be [**REDACTED**] for by or [**REDACTED**] between legal or natural persons of the PRC.

Domestic Shares and H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of [**REDACTED**] and at all times thereafter, our Company must maintain the minimum prescribed percentage of [**REDACTED**]% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authorities, our Domestic Shares may be converted into H Shares, and such converted H Shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange provided that prior to the conversion and [**REDACTED**] of such converted Shares, the requisite internal approval processes have been duly completed and the approval from or filing with the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, [**REDACTED**] and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Stock Exchange, such conversion, [**REDACTED**] and [**REDACTED**] will need to be filed with relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

No Shareholder voting by class is required for the [**REDACTED**] and [**REDACTED**] of the converted Shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted Shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and procedures for conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share registration and we will re-register such Shares on our [**REDACTED**] maintained in Hong Kong and instruct our [**REDACTED**] to issue H Share certificates. Registration on our [**REDACTED**] will be conditional on (1) our [**REDACTED**] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [**REDACTED**] and the due despatch of H Share certificates; and (2) the [**REDACTED**] of the H Shares to [**REDACTED**] on the Stock Exchange in compliance with the Listing Rules, the [**REDACTED**] and the [**REDACTED**] in force from time to time. Until the converted Shares are re-registered on our [**REDACTED**], such Shares would not be [**REDACTED**] as H Shares.

Filing with the CSRC for full circulation

According to the Trial Measures promulgated by the CSRC, for a H-share listed company, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf.

In accordance with the Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, an unlisted domestic joint stock company may file with the CSRC for "full circulation" simultaneously when applying for an overseas initial public offering.

We [**REDACTED**] with the CSRC for, and the CSRC [**REDACTED**], the conversion of [**REDACTED**] Domestic Shares into H Shares on a one-for-one basis upon completion of [**REDACTED**].

RESTRICTIONS ON TRANSFER OF SHARES

Under the PRC Company Law, Shares which have been in issue before we [**REDACTED**] Shares may not be transferred within one year from the date of [**REDACTED**] on a stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to this statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed [**REDACTED**]% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are [**REDACTED**] and [**REDACTED**], nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of CSDC. H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application completing the transfer registration in CSDC.

GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see our Articles of Association as summarised in the section headed "Appendix V — Summary of Articles of Association" of this document.

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in Appendix I to this document. The consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed "Risk factors" in this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We ranked (i) first in the global food-grade glycine manufacturing industry in terms of sales volume and sales revenue in 2023; and (ii) fifth in the global sucralose manufacturing industry in terms of sales volume and sales revenue in 2023, with over 20 years of history. With respect to food-grade glycine, our global market share was approximately 5.1% and 3.1% in terms of sales volume and sales revenue in 2023, respectively. With respect to sucralose, our global market share was approximately 4.8% and 4.5% in terms of sales volume and sales revenue in 2023, respectively. In 2023, food-grade glycine and sucralose accounted for approximately 0.31% and 0.03% in the global food additives market in terms of sales volume.

We have a diversified customer base across the world with over 150 customers in each year during the Track Record Period from a wide-range of industries. Among which included reputable multinational corporations such as our (i) American Beverage Customer, a world-renowned multinational corporation manufacturing one of the world's most popular carbonated beverages; (ii) Swiss Food and Beverage Customer, a world-famous multinational corporation which is famous for its branded coffee, chocolate and cereals; (iii) American Oral Care Products Customer, one of the world's largest oral care products manufacturers; (iv) American Confectionery Customer, a globally-leading confectionery manufacturer; and (v) American Snacks Customer, a top snacks manufacturer in the world. Certain of these reputable multinational corporations have approximately 10 to 20 years of business relationship with our Group.

For each of FY2022, FY2023 and FY2024, our revenue was approximately RMB761.5 million, RMB446.9 million and RMB568.9 million, respectively; and our profit for the year was approximately RMB122.0 million, RMB44.7 million and RMB43.4 million, respectively.

BASIS OF PRESENTATION

The financial information relating to our Group has been prepared in accordance with the accounting policies which conform with HKFRS issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The historical financial information of our Group has been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operation and financial condition are affected by a number of factors, many of which operate beyond our control. Please refer to the section headed "Risk factors" in this document for more details. Some of these factors are described below.

Product pricing and inventory control

We generally price our products based on our costs, and adjust according to market conditions and market price.

With respect to glycine, the average market price of food-grade glycine and industrial-grade glycine fluctuated between 2020 and 2023. For example, the average export market price of food-grade glycine rose rapidly from approximately RMB14,287.5 per ton in 2020 to approximately RMB30,082.4 per ton in 2021. Such significant increase in the average market price of glycine was mainly due to (i) the suspension of production of glycine in the PRC due to the PRC's environmental protection policies; and (ii) the increase in the price of raw materials of glycine, such as ethanoic acid and synthetic ammonia. With (a) the recovery of production and substantial increase in total production volume of glycine in the PRC throughout 2022 and 2023; and (b) the decline in demand from downstream manufacturers in 2022 since they stockpiled glycine in 2021 with their concerns in continuous increase in price of glycine, the average market price of glycine returned to normal in 2023. The average market price of glycine in the PRC remained stable in 2023 and 2024. Accordingly, the average selling price of our food-grade glycine and industrial-grade glycine, which were set with reference to the market price thereof, fluctuated during the Track Record Period.

During each of FY2022, FY2023 and FY2024, our revenue derived from sale of food-grade glycine amounted to approximately 40.6%, 40.1% and 42.0%, respectively. The following table sets out a sensitivity analysis of hypothetical fluctuations in our average selling price of food-grade glycine, with other assumptions held constant, and their effect on our profit before tax for the year indicated. Fluctuations in our average selling price of food-grade glycine are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations in average selling price of food-grade glycine	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	Change in profit before tax		
-/+ 5%	-/+ 15,447	-/+ 8,971	-/+ 11,950
-/+ 10%	-/+ 30,893	-/+ 17,942	-/+ 23,900
-/+ 15%	-/+ 46,340	-/+ 26,913	-/+ 35,850

During each of FY2022, FY2023 and FY2024, our revenue derived from industrial-grade glycine amounted to approximately 7.6%, 6.1% and 11.7%, respectively. The following table sets out a sensitivity analysis of hypothetical fluctuations in our average selling price of industrial-grade glycine, with other assumptions held constant, and their effect on our profit before tax for the year indicated. Fluctuations in our average selling price of industrial-grade glycine are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations in average selling price of industrial-grade glycine	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	Change in profit before tax		
-/+ 5%	-/+ 2,905	-/+ 1,362	-/+ 3,319
-/+ 10%	-/+ 5,810	-/+ 2,723	-/+ 6,637
-/+ 15%	-/+ 8,715	-/+ 4,085	-/+ 9,956

With respect to sucralose, since the last quarter of 2022, leading companies selling sucralose have expanded their respective production volume, which resulted in market supply of sucralose exceeding demand. Thus, leading companies have been willing to sell products at extreme low price to reduce their storage, with an attempt to undercut other industry players to expand a greater market share, triggering the Sucralose Price War. The Sucralose Price War among industry players may largely reduce the industry profit margin. As advised by CIC, the average export market price of sucralose dropped significantly from approximately RMB386,261.6 per ton in 2022 to approximately RMB186,491.0 per ton in 2023, whereas the average domestic market price of sucralose dropped from approximately RMB378,556.0 per ton in 2022 to RMB169,537.3 per ton in 2023. In August and September 2024, several major sucralose manufacturers in the PRC increased their respective selling price of sucralose in the PRC (with market price of sucralose in the PRC increased from approximately RMB105,789.5 per ton in June 2024 to approximately RMB191,333.3 per ton in September 2024), which indicated the end of the Sucralose Price War. The market price of sucralose gradually resume to normal after the end of the Sucralose Price War. During the first quarter of 2025, the market price of sucralose in the PRC ranged from approximately RMB180,000 per ton to approximately RMB200,000 per ton. As confirmed by CIC, such price is stable during 2025, and the Sucralose Price War has ended. For further details regarding the historical fluctuation in the price of sucralose and the Sucralose Price War, please refer to the section headed "Industry overview — Overview of global sucralose industry — Price analysis of sucralose" in this document.

We decreased our average selling price of sucralose in FY2023 and have further decreased our selling price of sucralose at the beginning of 2024 in order to maintain our customer base.

During each of FY2022, FY2023 and FY2024, our revenue derived from sale of sucralose amounted to approximately 49.6%, 51.1% and 41.8%, respectively. The following table sets out a sensitivity analysis of hypothetical fluctuations in our average selling price of sucralose, with other assumptions held constant, and their effect on our profit before tax for the year indicated. Fluctuations in our average selling price of sucralose are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations in average selling price of sucralose	**Year ended 31 December**		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	Change in profit before tax		
-/+ 5%	-/+ 18,871	-/+ 11,414	-/+ 11,874
-/+ 10%	-/+ 37,742	-/+ 22,829	-/+ 23,747
-/+ 15%	-/+ 56,614	-/+ 34,243	-/+ 35,621

In the event that we are not able to anticipate and respond to changes in market price and customers' demand with respect to glycine and/or sucralose, we may not only lose our profitability, but also lose customers' confidence in our stable supply of glycine and/or sucralose, and thus our competitiveness and market share, which ultimately may adversely and materially affect our business, results of operation and financial condition.

Production capacity and utilisation rate

Our results of operation have been and are expected to continue to be affected by our production capacity. During the Track Record Period, the utilisation rates of our production plants for glycine ranged from 23.6% to 85.4%, while the utilisation rates of our Ji'an Plant for the production of sucralose ranged from 70.0% to 90.2%. Our Thailand Plant commenced production in the second half of 2024 with an utilisation rate of approximately 27.5% in 2024.

If our production capacity is being utilised at its highest level, we may need to give up further sales orders and hence damage our reputation, forego growth opportunities and lose the trust of our customers. On the other hand, if utilisation rate of our production machinery and equipment is too low, the fixed costs in operating our production machinery and equipment may not be covered by the revenue and adversely affect our results of operation.

Fluctuation in direct costs

Our cost of sales mainly include the cost of raw materials and goods used, utility cost and staff cost. The cost of purchase of raw materials and goods used represents a significant part of our cost of raw materials. The cost of raw materials we use to produce our products is subject to market force. During the Track Record Period, the cost of raw materials and goods used accounted for approximately 57.0%, 47.6% and 56.6% of our total cost of sales, respectively. Any significant increase in the prices of raw materials could affect our gross profit margin if we could not pass the cost increase to our customers.

Although we monitor the price of raw materials and adjust our price quotations accordingly from time to time, as our quotations do not specify any provision for us to renegotiate if there is a significant fluctuation in raw materials price, if market prices of our products fail to timely respond to changes of raw material prices, we may not be able to pass on the increase in prices of raw materials to our customers and sell our products at prices acceptable to our customers. In addition, should there be an increase in the raw material prices and we respond by adjusting our price quotation, our customers may switch their suppliers and no longer engage us as supplier for them. There is no guarantee that we will be able to pass through all or any of the increased raw materials costs to our customers in a timely manner or at all. An increase in raw material prices that we are unable to pass through to our customers will increase our cost of sales and materially and adversely affect our profit margin. In any such event, our business, financial condition, results of operation and growth prospects may be materially and adversely affected.

The following table sets out a sensitivity analysis of hypothetical fluctuations in our cost of raw materials and goods used, with other assumptions held constant, and their effect on our profit before tax for the year indicated. Fluctuations in our cost of raw materials and goods used are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations in cost of raw materials and goods used	**Year ended 31 December**		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	Change in profit before tax		
+/-5%	-/+16,160	-/+8,739	-/+13,220
+/-10%	-/+32,320	-/+17,477	-/+26,441
+/-15%	-/+48,480	-/+26,216	-/+39,661

The above analysis on historical financials is based on assumptions and is for illustrative purpose only and should not be viewed as actual result.

Our business is subject to macroeconomic conditions, international trade policies and trade barriers

Based on destination of delivery, a substantial amount of our products is sold to our customers in overseas markets, mainly Europe, North America and Asia (excluding Mainland China). As such, our operating results and profitability are more correlated with the demand and macroeconomic conditions in Europe, North America and Asia (excluding Mainland China). Our export sales are generally subject to certain inherent risks, including exposure to local, economic, labour conditions; changes in laws, regulations, industry standards, trade, monetary or fiscal policy; tariffs, quotas, customs and other import or export restrictions and other trade barriers such as anti-dumping. These uncertainties could have a material adverse effect on our business, financial conditions and results of operation.

Amongst countries that we sold our products to, the US has advocated greater restrictions on trade generally and significant increase on duties on goods exported into the US, particularly from the PRC, and has recently taken steps toward restricting trade in certain goods. As advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from the PRC to the US is subject to the General Glycine Tariff and the Additional Glycine Tariff. Subsequent to the Track Record Period and as at the Latest Practicable Date, in addition to the General Glycine Tariff and the Additional Glycine Tariff, glycine exported from the PRC to the US is further subject to the US 2025 IEEPA Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%). For further details, please refer to the section headed "Regulatory overview — U.S. laws and regulations" in this document.

As at the Latest Practicable Date, we had five production plants located in the PRC, Thailand and Indonesia. According to the CIC Report, we were the only PRC food-grade glycine manufacturer and the only PRC sucralose manufacturer with overseas production plant among the top five PRC food-grade glycine manufacturers and the top five PRC sucralose manufacturers as at 31 December 2024.

According to the CIC Report, PRC glycine manufacturers with overseas factories and sales network possess the capability of mitigating risks in the global market and maintaining more stable business operations compared with other PRC glycine manufacturers with only domestic factories. During the Track Record Period and up to the Latest Practicable Date, we did not sell any food-grade glycine that was manufactured in the PRC to clients in the United States, and only exported our food-grade glycine that was produced at our Indonesia Plant to our clients in the United States. As advised by our legal advisers as to anti-dumping law, during the Track Record Period, glycine exported from Indonesia to the US is subject to the General Glycine Tariff. Our food-grade glycine manufactured at our Indonesia Plant and exported to the US accounted to approximately 4.0%, 6.4% and 17.3% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. As advised by our legal advisers as to anti-dumping law, subsequent to the Track Record Period and as at the Latest Practicable Date, for our overseas sales to clients in the US, we are only subject to the General Glycine Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) for glycine manufactured by us in our Indonesia Plant. As advised by CIC, there is a huge demand of glycine in the US, glycine manufacturers

located in places outside the PRC may have the bargaining power to set higher selling price for sale of glycine to clients in the US in order to have higher gross profit margin.

Despite we were only subject to the General Glycine Tariff during the Track Record Period and the General Glycine Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) subsequent to the Track Record Period and up to the Latest Practicable Date for glycine manufactured by us in our Indonesia Plant and subsequently exported to the US and we only sold glycine manufactured in our Indonesia Plant to the US, our products manufactured in the PRC that are exported to the US may be subject to the US 2025 IEEPA Tariff and the US Reciprocal Tariff (as at the Latest Practicable Date, 10%) (except for sucralose), while our products manufactured in Indonesia that are exported to the US may be subject to the US Reciprocal Tariff (as at the Latest Practicable Date, 10%), introduced by the US government as at the Latest Practicable Date. There is no assurance that the US or other jurisdiction(s) that would not change their respective trade policies, treaties and tariffs in the future. In the event that the US and/or other jurisdiction(s) impose additional tax onto products that we produce in either the PRC, Indonesia or Thailand in the future, these duties may have an adverse impact on our Group's business operation and financial results. If we were not able to pass additional costs onto our customers, our sales margin could be adversely affected, which could adversely affect our financial position, business or results of operation. It is uncertain as to what actions other governments, including the PRC government, may take in retaliation. Any new international trade policies and trade barriers, such as anti-dumping duties, that we may subject to in the future could potentially decrease the demand for our products and materially and adversely affect our business, financial condition and results of operation. In addition, these developments could have a material adverse effect on global economic conditions and the stability of global financial markets which may affect our ability to obtain financing and the cost at which we obtain financing. Any of these factors could have a material adverse effect on our business, financial condition and results of operation.

Our research and development of new products and optimise our existing products

Our success depends upon our ability to address the changes in consumer trends by developing and introducing new products on a timely manner and in accordance with changing demands. We devote substantial resources to strengthen our research and development capabilities. We have our own R&D team, consisting of 37 staff, as at 31 December 2024, and hire experts to enhance our product capacity, optimise our existing products as well as develop new products. For further details, please refer to the section headed "Business — Research and development" in this document.

We cannot assure that we will be able to continue to develop products or complete any product development successfully or that any new products developed will receive market acceptance. If we are unable to command a sustainable gross profit margin, our business, financial condition, results of operation and prospects could be adversely affected.

Market competition

The key success factors of sucralose and glycine manufacturers include (i) possessing rich production experience, mature production technologies and technical talents to ensure the stability of product quality; (ii) having sufficient funds and resources to establish abundant production capacity to capture customers' demand in order to maintain or even expand market share; (iii) having long-term relationship with customers to establish mutual trust; (iv) being deeply involved in supply chain management in order to secure high-quality raw material supply with good bargaining power to procure raw materials at better price; and (v) having significant capital to invest in production equipment, sales channel development, research development and labour expenses. Our Directors believe that some of our competitors may have greater production capacity and lower pricing than we do. However, our Directors consider that our Group has established a diversified customer base and has been providing high-quality products. Through these advantages, we believe we have a competitive edge over our competitors.

There is no assurance that our Group will be able to uphold our competition strengths. If we cannot effectively compete with our current or potential competitors, our business, results of operation, financial condition and prospects may be materially and adversely affected.

Exchange rate fluctuations

A majority of our sales are denominated in US$, RMB and EUR. Our cost of sales and operating expenses are mainly denominated in RMB. Our profit margins will be adversely affected to the extent that we are unable to increase the selling prices of our products denominated in US$ and EUR to offset any appreciation of RMB against US$ or EUR in order to maintain our competitiveness.

We recorded net foreign exchange gain of approximately RMB24.1 million, RMB8.2 million and RMB8.2 million for each of FY2022, FY2023 and FY2024, respectively. Gains and losses resulting from currency conversion and translation are recognised in our profit or loss. The value of US$ and EUR against RMB fluctuates depending to a large extent on international economic developments. It is difficult to predict how market forces or government policies may impact the exchange rate of US$ and EUR against RMB in the future. Therefore, we are subject to fluctuations in currency exchange rates which may cause volatility in our results of operation.

Level of income tax and preferential tax treatment

Our net profit is affected by the level of income tax that we pay and the preferential tax treatments to which we are entitled in the jurisdictions where we operate. During the Track Record Period, our Company enjoyed a preferential EIT rate of 15% for each of FY2022, FY2023 and FY2024 for its status as a high and new-technology enterprise pursuant to the tax incentives under the Enterprise Income Tax Law, as compared to the standard 25% EIT rate. There is no assurance that we will be able to continue to enjoying the preferential tax treatment and deductions we are entitled to in the long run. In addition, according to the relevant laws and regulations promulgated by the State

Administration of Taxation of the PRC, our Company, being a High and New Technology Enterprise, is entitled to claim 200% of our research and development expenses so incurred as tax deductible expenses when determining our assessable profit for the Track Record Period (the "**Super Deduction**"). During FY2022, our Company, as a High and New Technology Enterprise, was allowed to deduct the full amount of equipment newly purchased from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax. On the other hand, Newtrend Thailand is also subject to preferential tax treatment with respect to its BOI business income relating to its manufacturing of sucralose for FY2024. Any changes in the income tax rate and preferential tax treatments we are subject to could lead to an increase in our income tax expenses and materially and adversely affect our results of operation and financial condition.

MATERIAL ACCOUNTING POLICY INFORMATION

Some of our accounting policies require us to apply estimates as well as complex judgements related to accounting items. The estimates we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgements 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. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set out below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our material accounting policies, estimates and judgements, which are important for understanding our financial condition and results of operation, are set out in further details in Note 4 to the Accountants' Report as set out in Appendix I to this document.

Revenue from contracts with customers

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

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

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

- our Group's performance creates or enhances an asset that the customer controls as our Group performs; or

- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

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

Lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS16 or arising from business combinations, our Group assesses whether a contract is or contains a lease based on the definition under HKFRS16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Lease liabilities

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, our Group estimates the recoverable amount of the cash generating units ("**CGU**") to which the asset belongs.

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

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

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

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

Inventories

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

Provisions, contingent liabilities and onerous contracts

Provisions and contingent liabilities

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

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

Onerous contracts

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

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

ACCUMULATIVE LOSS AT THE COMMENCEMENT OF THE TRACK RECORD PERIOD

As we sold food-grade glycine at a much lower average selling price in general for a couple of years prior to the Track Record Period, we had accumulated losses as at 1 January 2021. Since we increased the average selling price of each of food-grade glycine and sucralose in general during the year ended 31 December 2021 ("**FY2021**"), we managed to record profit during the same year, resulting in the decrease in our accumulated losses to approximately RMB71.6 million as at 1 January 2022. We have managed to record better financial performance since FY2022 mainly due to the following reasons:

(1) Higher average market price of food-grade glycine and sucralose and decrease in market price of major raw materials of food-grade glycine contribute to the increase in our revenue and profit, respectively, in general during FY2022

(a) Food-grade glycine

Our revenue derived from sale of food-grade glycine during the Track Record Period was generally higher than that prior to the Track Record Period, mainly due to the increase in average selling price of food-grade glycine.

As demonstrated in the section headed "Industry overview — Overview of global glycine industry — Price analysis of food-grade glycine" in this document, the market price of food-grade glycine for FY2022 was higher than that for the year ended 31 December 2020 ("**FY2020**"). In particular, the market price of food-grade glycine for export and domestic sales amounted to approximately RMB14,287.5 per ton and RMB12,988.7 per ton, respectively, in FY2020, whereas the same amounted to approximately RMB22,991.3 per ton and RMB20,901.2 per ton, respectively, in FY2022. In addition, the average market price of ethanoic acid and MCA (Monochloroacetic acid), being major raw materials of food-grade glycine, decreased from approximately RMB6,517.6 per ton and RMB8,147.4 per ton, respectively, in FY2021 to approximately RMB4,195.6 per ton and RMB4,735.3 per ton, respectively, in FY2022. As such, we were able to record higher gross profit from our export and domestic sales of food-grade glycine in FY2022, as compared to that of FY2021.

(b) Sucralose

Compared with the revenue derived from sale of sucralose prior to the Track Record Period, there was an increasing trend in revenue from sucralose from FY2021 to FY2022, which was mainly due to the increase in the average selling price of sucralose.

As demonstrated in the section headed "Industry overview — Overview of global sucralose industry — Price analysis of sucralose" in this document, there was a significant increase in the market price of sucralose from FY2021 to FY2022. In particular, the market price of sucralose for export and domestic sales increased from approximately RMB261,221.2 per ton and RMB274,648.0 per ton, respectively, in 2021, to approximately RMB386,261.6 per ton and RMB378,556.0 per ton, respectively, in 2022. Our average selling price of sucralose increased accordingly, whereby our average selling price of sucralose for export and domestic sales increased to approximately RMB316,871 per ton and RMB280,203 per ton, respectively in FY2022.

(2) Establishment of our Indonesia Plant and increase in our overseas sales of food-grade glycine

Our Indonesia Plant was established in FY2020 to manufacture food-grade glycine. Since the commencement of the operation thereat, the food-grade glycine manufactured at our Indonesia Plant has generated stable revenue and gross profit for us. The gross profit generated from overseas sales of food-grade glycine in the Track Record Period was much higher than that of the gross profit prior to the Track Record Period.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets out certain items derived from our consolidated statements of profit or loss and other comprehensive income during the Track Record Period:

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	761,499	446,938	568,867
Cost of sales	(566,640)	(367,039)	(466,967)
Gross profit	194,859	79,899	101,900
Other income, gains and losses	14,711	23,784	17,681
Selling and distribution expenses	(3,037)	(4,706)	(4,753)
Administrative expenses	(37,172)	(29,042)	(30,867)
Research and development costs	(13,962)	(17,216)	(16,601)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	(1,126)	(867)	(5,633)
Finance costs	(4,957)	(3,470)	(2,786)
Profit before tax	149,316	48,382	48,734
Income tax expense	(27,295)	(3,720)	(5,328)
Profit for the year	122,021	44,662	43,406
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations *(Note)*	(474)	1,711	783
Total comprehensive income for the year	121,547	46,373	44,189

Note:

The exchange differences on translation on foreign operations primarily represented the differences arising from the translation of operating results and financial position of the functional currency of our subsidiaries operating outside the PRC. Thus, USD, EUR, THB, IDR and HKD were the foreign currencies that led to exchange differences on translation on foreign operations.

Non-HKFRS measure

Non-HKFRS measure is not a standard measure under HKFRSs. We believe that non-HKFRS measure sets out below provides useful information to **[REDACTED]** about our operating performance, and enhances the overall understanding of our past performance and future prospects in the same manner as our management.

We define adjusted net profit (non-HKFRS measure) as profit for the year adjusted by the **[REDACTED]**. **[REDACTED]** were incurred for the purpose of the **[REDACTED]**.

The non-HKFRS measure shall not be considered in isolation from, or as substitute for analysis of, our consolidated statement of profit or loss or financial condition as reported under HKFRSs. In addition, the non-HKFRS measure may be defined separately from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The table below sets out our adjusted net profit (non-HKFRS measure) for each respective year during the Track Record Period:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	122,021	44,662	43,406
Adjusted for:			
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit (non-HKFRS measure) for the year	122,021	44,662	53,613

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND DISCUSSION OF RESULTS OF OPERATION

Revenue

By product type and by sales origin and destination

The following table sets out the breakdown of our revenue, sales volume and average selling price by product type and by sales origin and destination for the years indicated:

	For the year ended 31 December											
	2022				2023				2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
	RMB'000	*%*	*Ton*	*RMB per ton*	*RMB'000*	*%*	*Ton*	*RMB per ton*	*RMB'000*	*%*	*Ton*	*RMB per ton*
Food-grade glycine												
– Overseas sales[2]	51,871	6.8	1,207	42,975	32,865	7.3	1,015	32,379	98,604	17.3	2,980	33,089
– Export sales[3]	247,765	32.6	7,706	32,152	144,765	32.4	9,393	15,412	137,981	24.3	10,288	13,412
– Domestic sales[4]	9,295	1.2	512	18,154	1,788	0.4	134	13,343	2,420	0.4	191	12,670
Sub-total	308,931	40.6	9,425	32,778	179,418	40.1	10,542	17,019	239,005	42.0	13,459	17,758
Industrial-grade glycine												
– Overseas sales[2]	–	–	–	–	–	–	–	–	–	–	–	–
– Export sales[3]	–	–	–	–	–	–	–	–	–	–	–	–
– Domestic sales[4]	58,098	7.6	2,659	21,850	27,233	6.1	2,611	10,430	66,371	11.7	6,711	9,890
Sub-total	58,098	7.6	2,659	21,850	27,233	6.1	2,611	10,430	66,371	11.7	6,711	9,890

	For the year ended 31 December											
	2022				2023				2024			
	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price	Revenue		Sales volume	Average selling price
				RMB				*RMB*				*RMB*
	RMB'000	*%*	*Ton*	*per ton*	*RMB'000*	*%*	*Ton*	*per ton*	*RMB'000*	*%*	*Ton*	*per ton*
Sucralose[1]												
– Overseas sales[2]	–	–	–	–	–	–	–	–	13,989	2.5	44	317,932
– Export sales[3]	329,229	43.2	1,039	316,871	200,131	44.8	805	248,610	200,324	35.2	1,060	188,985
– Domestic sales[4]	48,195	6.4	172	280,203	28,155	6.3	159	177,075	23,158	4.1	181	127,945
Sub-total	377,424	49.6	1,211	311,663	228,286	51.1	964	236,811	237,471	41.8	1,285	184,802
Others[5]												
– Overseas sales[2]	689	0.1			267	0.1			1,524	0.2		
– Export sales[3]	–	–			1,657	0.4			–	–		
– Domestic sales[4]	16,357	2.1			10,077	2.2			24,496	4.3		
Sub-total	17,046	2.2			12,001	2.7			26,020	4.5		
	761,499	100.0			446,938	100.0			568,867	100.0		

Notes:

(1) Due to various factors, including difficulties in the supply and timely delivery of raw materials and the hindrance in our production efficiency, our production capacity fluctuated during the Track Record Period. In the event that our customers require us to provide sucralose urgently, we would procure sucralose from Independent Third Parties to re-sell to our customers. Such sale of sucralose accounted for less than 10% of our total revenue for each of FY2022, FY2023 and FY2024.

(2) Overseas sales mainly represented transactions with both manufacturing and sale of our products which took place outside the PRC.

(3) Export sales mainly represented transactions with manufacturing of our products which took place in the PRC, but they were exported for sale outside the PRC.

(4) Domestic sales mainly represented transactions with both manufacturing and sale of our products which took place within the PRC.

(5) Others mainly include (i) our Group's by-products produced during our manufacturing process, such as sulfite and ammonium chloride; and (ii) our other products, such as mogroside (羅漢果甜苷), carrageenan and agar powder.

During each of FY2022, FY2023 and FY2024, our total revenue amounted to approximately RMB761.5 million, RMB446.9 million and RMB568.9 million, respectively.

Our total revenue decreased by approximately RMB314.6 million, or approximately 41.3%, from approximately RMB761.5 million for FY2022 to approximately RMB446.9 million for FY2023, mainly attributable to the decrease in sale of both sucralose and glycine in FY2023 for the reasons set out below.

Our total revenue increased by approximately RMB121.9 million, or approximately 27.3%, from approximately RMB446.9 million for FY2023 to approximately RMB568.9 million for FY2024, mainly attributable to the increase in revenue from each of our major products between FY2023 and FY2024. For details of the increase in revenue from each of our major products during the same period, please refer to the sub-paragraphs headed "Food-grade glycine", "Industrial-grade glycine" and "Sucralose" below.

Food-grade glycine

For each of FY2022, FY2023 and FY2024, our Group's revenue from food-grade glycine accounted for approximately 40.6%, 40.1% and 42.0% of our total revenue, respectively.

FY2022 as compared to FY2023

Our revenue from food-grade glycine decreased significantly by approximately 41.9% from approximately RMB308.9 million for FY2022 to approximately RMB179.4 million for FY2023. Such decrease was mainly attributable to the decrease in revenue from export sales of food-grade glycine, mainly as a result of the decrease in average selling price for export sales. The decrease in average selling price of food-grade glycine for export sales in FY2023 was in line with the decrease in average export market price from approximately RMB22,991.3 per ton in 2022 to approximately RMB14,884.1 per ton in 2023. For details of market price trend of food-grade glycine, please refer to the section headed "Industry overview — Overview of global glycine industry — Price analysis of food-grade glycine" in this document.

Our sales volume of food-grade glycine increased from approximately 9,425 tons in FY2022 to approximately 10,542 tons in FY2023, mainly attributable to the increase in sales volume of export sales of food-grade glycine by approximately 21.9%. Such increase in sales volume of export sales was primarily because our certain existing major customers stockpiled food-grade glycine in FY2021, resulting them in reduction in their procurement of food-grade glycine in FY2022. Such existing customers gradually increased their respective procurement volume of food-grade glycine in FY2023. For example, our Swiss Food and Beverage Customer, no matter directly from itself or through its Designated Wholesalers, and another customer, which is a member of a specialty chemicals company listed on the Frankfurt Stock Exchange, increased their respective procurement volume of food-grade glycine from approximately 3,735 tons and 864 tons, respectively, in FY2022 to approximately 4,629 tons and 1,620 tons, respectively, in FY2023. The sales volume of domestic sales for food-grade glycine decreased from approximately 512 tons in FY2022 to approximately 134 tons in FY2023 as a domestic customer, which procured approximately

240 tons of food-grade glycine in FY2022, did not procure any food-grade glycine from us in FY2023. The sales volume of overseas sales of food-grade glycine decreased from approximately 1,207 tons in FY2022 to approximately 1,015 tons in FY2023 mainly due to the decrease in our actual production volume at our Indonesia Plant since we encountered difficulties in importing raw materials for our production of food-grade glycine. This was because there was a delay in our renewal of B2 Import Approval Licence. For further details, please refer to the section headed "Business — Our production plants — Indonesia Plant" in this document.

FY2023 as compared to FY2024

Our revenue from food-grade glycine increased by approximately 33.2% from approximately RMB179.4 million for FY2023 to approximately RMB239.0 million for FY2024. Such increase was primarily due to the increase in the revenue from overseas sales of food-grade glycine, mainly as a result of the increase in the sales volume from approximately 1,015 tons for FY2023 to approximately 2,980 tons for FY2024. This was because the production at our Indonesia Plant was adversely affected during FY2023 since we encountered difficulties in importing raw materials for our production of food-grade glycine in the second and third quarter of FY2023 due to the delay of the renewal of B2 Import Approval Licence. As we successfully renewed the B2 Import Approval Licence in September 2023, we no longer had the problem with importing raw materials for production of food-grade glycine during FY2024, our actual production volume at Indonesia Plant increased from approximately 782 tons in FY2023 to approximately 3,217 tons in FY2024.

The average selling price of food-grade glycine for overseas sales remained relatively stable at approximately RMB32,379 per ton in FY2023 and approximately RMB33,089 per ton in FY2024.

The increase in revenue from food-grade glycine for overseas sales was partially offset by the decrease in the revenue from food-grade glycine for export sales, which was mainly due to the average selling price of food-grade glycine for export sales decreased from approximately RMB15,412 per ton in FY2023 to RMB13,412 per ton in FY2024. For FY2023, over half of our export sales of food-grade glycine, in terms of revenue, were derived from sales that were governed by sales framework agreements. As mentioned above, the selling prices set out in these agreements generally was set with reference to the then market price of food-grade glycine manufactured in the PRC at the relevant time of entering of the agreements. According to CIC, the market price of food-grade glycine manufactured in the PRC fluctuated between RMB12,547.0 per ton and RMB39,580.9 per ton, by approximately 215.5%, throughout 2022. For FY2024, over half of export sales of our food-grade glycine, in terms of revenue, were derived from sales that were governed by sales framework agreements, resulting our average selling price of food-grade glycine for export sales for FY2024 were generally within the range of market price of food-grade glycine manufactured in the PRC from RMB12,431.1 per ton to RMB14,824.7 per ton during 2023. The increase in revenue from food-grade glycine for domestic sales by approximately 35.3% from approximately RMB1.8 million for FY2023 to approximately RMB2.4 million for FY2024 was mainly attributable to the increase in sales volume thereof during the same year, notwithstanding the average selling price thereof decreased slightly from approximately RMB13,343 per ton for FY2023 to approximately RMB12,670 per ton for FY2024.

Industrial-grade glycine

For each of FY2022, FY2023 and FY2024, our Group's revenue from industrial-grade glycine accounted for approximately 7.6%, 6.1% and 11.7% of our total revenue, respectively. During the Track Record Period, our revenue from sale of industrial-grade glycine mainly derived from our domestic sales thereof.

FY2022 as compared to FY2023

Revenue from industrial-grade glycine further decreased to approximately RMB27.2 million for FY2023. Notwithstanding the sales volume of industrial-grade glycine remained stable at approximately 2,659 tons and 2,611 tons for FY2022 and FY2023, respectively, there was a decrease in the average selling price of our industrial-grade glycine sold domestically by approximately 52.3% between FY2022 and FY2023. With reference to the decrease in the domestic market price of industrial-grade glycine from approximately RMB17,168.8 per ton in 2022 to approximately RMB11,114.8 per ton in 2023, our average selling price of industrial-grade glycine decreased accordingly in FY2023.

FY2023 as compared to FY2024

As there was an increase in our actual production volume at our Xizang Plant from approximately 9,141 tons in FY2023 to approximately 15,423 tons in FY2024, we managed to sell industrial-grade glycine to our customers after fulfilling our requirement of industrial-grade glycine as raw materials for production of food-grade glycine at our Yujiang Plant throughout the entire FY2024, whereas we only recorded domestic sales of industrial-grade glycine during the second half of FY2023. Thus, we recorded an increase in the sales volume for domestic sales of industrial-grade glycine from approximately 2,611 tons for FY2023 to approximately 6,711 tons for FY2024, resulting in an increase in revenue therefrom by approximately 143.7%, from RMB27.2 million for FY2023 to approximately RMB66.4 million for FY2024, notwithstanding the average selling price of industrial-grade glycine for domestic sales decreased slightly from approximately RMB10,430 per ton for FY2023 to approximately RMB9,890 per ton for FY2024.

Sucralose

For each of FY2022, FY2023 and FY2024, our Group's revenue from sucralose accounted for approximately 49.6%, 51.1% and 41.8% of our total revenue, respectively.

FY2022 as compared to FY2023

Our revenue from sucralose decreased by approximately RMB149.1 million, or approximately 39.5%, from approximately RMB377.4 million for FY2022 to approximately RMB228.3 million for FY2023. Such decrease was primarily attributable to the decrease in revenue derived from our export sales as well as domestic sales. With respect to our export sales, the decrease in revenue was mainly due to the decrease in (i) sales volume from approximately 1,039 tons for FY2022 to approximately 805 tons for FY2023 since our American Beverage Customer stockpiled sucralose throughout FY2022, which resulted in

it reducing its purchase in sucralose from us from approximately 575 tons in FY2022 to approximately 246 tons in FY2023; and (ii) average selling price decreased from approximately RMB316,871 per ton in FY2022 to approximately RMB248,610 per ton in FY2023. The scale of decrease in our average selling price of sucralose between FY2022 and FY2023 was not in line with the scale of the decrease in average market price of sucralose during the same period. This was mainly because (a) we did not participate in the Sucralose Price War by selling less sucralose at a selling price that we found acceptable to sustain certain gross profit margin; and (b) over half of our sale of sucralose in FY2023, in terms of revenue, was derived from the sale governed by sales framework agreements that were typically entered before FY2023.

For FY2023, 11 of our customers for sale of sucralose were governed by sales framework agreements as mentioned above. These 11 customers included our American Beverage Customer and American Snacks Customer. Our American Beverage Customer and American Snacks Customer were our top two and top five customers for FY2023 respectively, the sale of sucralose thereto accounted 31.1% and 10.0% of our revenue for sucralose for the same period respectively. We usually made reference to the then market price of sucralose at the time of the relevant sales framework agreements being entered into, generally being the period prior to the current year. The export sales of sucralose in FY2023 were governed by a mixture of sales governed by sales framework agreements (the selling price set out therein were in general made reference to the then market price of sucralose at the time of the agreements being entered into) and sales governed by purchase order placed (the selling price set out therein were generally made reference to the then market price of the current year). During FY2023, over half of export sales of sucralose, in terms of revenue, derived from sales governed by sales framework agreements. According to CIC, the selling price of sucralose manufactured in the PRC in 2022 ranged from RMB284,615.4 per ton to RMB480,000.0 per ton, by approximately 68.7%, while the same in 2023 fluctuated between RMB126,428.6 per ton and RMB266,363.6 per ton, by approximately 110.8%.

Having considered the foregoing and the fact that we did not participate in the Sucralose Price War during FY2023 by not reducing our selling price of sucralose as much as other market players did, the level of decrease in our average export selling price by approximately 21.5% was not proportionate to the level of decrease in average export market price of sucralose by approximately 51.7% between 2022 and 2023.

With respect to domestic sales, the decrease in revenue was primarily because of the decrease in the average selling price from approximately RMB280,203 per ton in FY2022 to approximately RMB177,075 per ton in FY2023. As only approximately 31.0%, in terms of revenue, of domestic sales of sucralose derived from sales governed by sales framework agreements during FY2023, the selling price of a substantial portion of domestic sales of sucralose in FY2023 were set with reference to the then market price of the sucralose manufactured in the PRC at the relevant time of agreements being entered into. As mentioned above, the selling price of sucralose manufactured in the PRC in 2023 fluctuated by approximately 110.8%.

Similar to export sales of sucralose for FY2023 as mentioned above, even though, similar to the decrease in average domestic market price of sucralose between 2022 and 2023, we experienced a decrease in our average selling price of sucralose for domestic sales between FY2022 and FY2023. However, the level of decline was not proportionate with that of average domestic market price of sucralose between 2022 and 2023 since, as mentioned above, we did not participate in the Sucralose Price War, resulting in us not reducing our selling price of sucralose as much as other market participants did during FY2023.

FY2023 as compared to FY2024

Our revenue from sucralose increased slightly by approximately RMB9.2 million, or approximately 4.0%, from approximately RMB228.3 million for FY2023 to approximately RMB237.5 million for FY2024. Such increase was primarily due to the fact that we commenced production and sale of sucralose manufactured at our Thailand Plant in the second half of FY2024. The average selling price of sucralose manufactured at our Thailand Plant to our customers was generally higher than that of sucralose manufactured at our Ji'an Plant. This is because, as advised by CIC, it is common for international manufacturer customers to procure sucralose produced in and outside of China at the same time, despite of the differences in selling price of sucralose produced in and outside of China, in order to ensure their high geographical concentration of sucralose can be mitigated.

Notwithstanding the foregoing, we recorded a decrease in average selling price of sucralose for each of export sales and domestic sales in FY2024. The export market price and domestic market price of sucralose in FY2024 were adversely affected by the Sucralose Price War as it subsisted almost throughout FY2024 and only ended in September 2024. As (i) we did not participate in the Sucralose Price War, previously which began in 2022; and (ii) over half of our sale of sucralose, in terms of revenue, for FY2023 generally derived from sales governed by sales framework agreements which we entered into with our customers generally prior to FY2023, our average selling price of sucralose for export sales and domestic sales at approximately RMB248,610 per ton and RMB177,075 per ton for FY2023, respectively, could not be comparable to the market price of sucralose manufactured in the PRC ranging from RMB126,428.6 per ton to RMB266,363.6 per ton during FY2023. For FY2024, more than half of our sale of sucralose, in terms of revenue, generally derived from sales not governed by sales framework agreements. Thus, the selling price of sucralose derived from these sales were determined mainly based on the then market price of sucralose during FY2024, which was generally much lower than that of prior to FY2023.

The sales volume of sucralose for export sales increased by approximately 31.7% from approximately 805 tons for FY2023 to approximately 1,060 tons for FY2024, mainly attributable to the increase in sales of sucralose to Customer D during FY2024. The sales volume of sucralose for domestic sales remained relatively stable at approximately 159 tons and 181 tons for FY2023 and FY2024, respectively.

Others

Our sales from other products remained stable at approximately RMB17.0 million, RMB12.0 million and RMB26.0 million, which accounted for approximately 2.2%, 2.7% and 4.5% of our total revenue, for each of FY2022, FY2023 and FY2024, respectively. We recorded an increase in sales from other products between FY2023 and FY2024, mainly because we sold new other products, namely agar powder and carrageenan, during FY2024.

By customer type

The following table sets out the breakdown of our revenue by customer type for the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturers	478,129	62.8	263,487	59.0	236,887	41.6
Designated Wholesalers	118,768	15.6	41,187	9.2	37,484	6.6
Other Wholesalers	164,602	21.6	142,264	31.8	294,496	51.8
Total	761,499	100.0	446,938	100.0	568,867	100.0

Our revenue was mainly attributable to sale of our products to customers which are manufacturers, which accounted for approximately 62.8%, 59.0% and 41.6% of our total revenue for each of FY2022, FY2023 and FY2024, respectively.

Manufacturers

Revenue derived from the manufacturer customers decreased by approximately 44.9% from approximately RMB478.1 million for FY2022 to approximately RMB263.5 million for FY2023. Such decrease was mainly due to the decrease in revenue derived from sucralose from our American Beverage Customer for reasons discussed under the sub-paragraph headed "By product type and by sales origin and destination" above.

Revenue derived from the manufacturer customers decreased by approximately 10.1% from approximately RMB263.5 million for FY2023 to approximately RMB236.9 million for FY2024. Such decrease was mainly because of the decrease in sales to our customer, namely our American Beverage Customer, from approximately RMB70.9 million in FY2023 to approximately RMB21.6 million in FY2024. Our sales volume of sucralose thereto decreased from approximately 266 tons in FY2023 to approximately 122 tons in FY2024. In addition, the decrease in the average selling price of food-grade glycine (except overseas sales) as well as sucralose (except overseas sales) as mentioned in sub-paragraph headed "By product type and by sales origin and destination" above also contributed to the decrease in revenue derived from manufacturer customers in FY2024. The decrease in sale to our major customer as mentioned above was partially offset by the

increase in sale to another major customer, i.e. Customer A, in FY2024, where Customer A procured approximately 5,245 tons of industrial-grade glycine, amounting sales of approximately RMB51.8 million, for FY2024, whereas Customer A only procured approximately 990 tons of industrial-grade glycine, amounting sales of approximately RMB10.6 million during FY2023.

Designated Wholesalers

Revenue derived from the Designated Wholesalers decreased significantly by approximately 65.3% from approximately RMB118.8 million for FY2022 to approximately RMB41.2 million for FY2023. Such decrease was primarily because our Swiss Food and Beverage Customer decreased significantly its sales order with respect to food-glade glycine through the Designated Wholesalers in FY2023.

Revenue derived from the Designated Wholesalers remained relatively stable at approximately RMB41.2 million and RMB37.5 million for FY2023 and FY2024, respectively.

Other Wholesalers

Revenue derived from the Other Wholesalers increased by approximately 107.0% from approximately RMB142.3 million for FY2023 to approximately RMB294.5 million for FY2024. Such increase was mainly attributable to the increase in sale to Customer E and Customer D in FY2024 since, so far as our Directors are aware of, there was an increase in the demand of food-grade glycine and sucralose from customers of Customer E and Customer D, respectively, during the same period in order to stockpile those products towards the end of FY2024 in light of their concerns about the commencement of the anticipated trade tariffs to be imposed on PRC products exported into the US after the return of the Trump Administration in early 2025. Each of Customer E and Customer D has been our Other Wholesaler customer, that have helped us enter into the US market to sell our food-grade glycine and sucralose, respectively. In addition, as we increased our production volume in FY2024, we were more capable to accommodate with more new customers, leading to the increase in the number of Other Wholesalers from 111 as at 31 December 2023 to 146 as at 31 December 2024. Such increase in the number of Other Wholesalers customers also led to the increase in revenue derived therefrom.

By geographical region

The following table sets out the breakdown of our revenue by geographical region for the years indicated:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Europe[(1)]	244,599	32.1	163,297	36.5	119,182	20.9
North America[(2)]	70,672	9.3	82,133	18.4	233,786	41.1
Asia (excluding Mainland China)[(3)]	97,912	12.9	69,988	15.7	55,149	9.7
Mainland China	131,945	17.3	67,253	15.0	116,445	20.5
South America[(4)]	102,038	13.4	37,687	8.4	28,509	5.0
Africa[(5)]	95,433	12.5	20,445	4.6	8,910	1.6
Oceania[(6)]	18,900	2.5	6,135	1.4	6,886	1.2
Total	761,499	100.0	446,938	100.0	568,867	100.0

Notes:

(1) Europe: We covered, among others, the United Kingdom, Germany and France.

(2) North America: We covered, among others, the US and Canada.

(3) Asia (excluding Mainland China): We covered, among others, Japan and Korea.

(4) South America: We covered, among others, Brazil and Argentina.

(5) Africa: We covered South Africa and Egypt.

(6) Oceania: We covered Australia and New Zealand.

Cost of sales

Cost of sales primarily represented the costs we incur directly for the manufacture and sale of our products. The principal components of cost of sales in connection with the manufacture and sale of our products include (i) raw materials and goods used; (ii) utility costs incurred for production; (iii) staff costs for production personnel; (iv) depreciation expenses related to plant, machinery and tools for production used; and (v) transportation expenses, being mainly logistics expenses for delivery of our products.

The following table sets out the breakdown of our cost of sales by nature for the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials and goods used	323,197	57.0	174,771	47.6	264,405	56.6
Utility costs	108,772	19.2	87,840	23.9	90,930	19.5
Staff costs	30,045	5.3	33,433	9.1	30,244	6.5
Depreciation expenses	33,306	5.9	32,565	8.9	32,983	7.1
Transportation costs	29,766	5.3	16,684	4.5	27,226	5.8
Provision for write-down of inventory	12,411	2.2	6,142	1.7	3,961	0.8
Others*(Note)*	29,143	5.1	15,604	4.3	17,218	3.7
Total	566,640	100.0	367,039	100.0	466,967	100.0

Note: Others mainly represented repair and maintenance fees, waste water discharge, disposal of waste and environmental protection related-fees, business and other taxes and surcharges.

Raw materials and goods used are the largest components of our cost of sales and primarily consisted of cost of raw materials, such as sucrose, DMF, ethanoic acid and liquid ammonia.

Our cost of sales decreased by approximately RMB199.6 million, or approximately 35.2%, from approximately RMB566.6 million for FY2022 to approximately RMB367.0 million for FY2023. Such decrease was mainly due to (i) the decrease in raw materials and goods used by approximately 45.9% as a result of the overall decreasing trend in the market price of raw materials during FY2023; and (ii) the decrease in transportation costs by approximately 44.0% as there were more stable logistics services without any much constraints on transportation being imposed due to the outbreak of COVID-19 in FY2023, as compared to that in FY2022.

Our cost of sales increased by approximately 27.2% from approximately RMB367.0 million for FY2023 to approximately RMB467.0 million for FY2024. Such increase was primarily attributable to the increase in (i) raw materials and goods used from approximately RMB174.8 million for FY2023 to approximately RMB264.4 million for FY2024 as a result of the increase in our sales volume during FY2024 as mentioned above; and (ii) transportation costs from approximately RMB16.7 million in FY2023 to approximately RMB27.2 million in FY2024 since (a) there was an increase in sales volume for food-grade glycine, industrial-grade glycine and sucralose in FY2024; (b) the shipment route of our products to our overseas customers was required to change; and (c) there was an increase in sea freight in many countries that our overseas customers located in, both (b) and (c) as a result of the Israel-Hamas war inflicted Red Sea crisis occurred in late 2023.

Gross profit and gross profit margin

The following table sets out a breakdown of gross profit and gross profit margin by product type for the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Food-grade glycine						
– Overseas sales[2]	10,268	19.8	10,355	31.5	42,223	42.8
– Export sales[3]	68,325	27.6	2,974	2.1	(6,462)	(4.7)
– Domestic sales[4]	1,897	20.4	42	2.3	(86)	(3.6)
	80,490	26.1	13,371	7.5	35,675	14.9
Industrial-grade glycine						
– Overseas sales[2]	–	–	–	–	–	–
– Export sales[3]	–	–	–	–	–	–
– Domestic sales[4]	8,427	14.5	(1,370)	(5.0)	(4,988)	(7.5)
	8,427	14.5	(1,370)	(5.0)	(4,988)	(7.5)
Sucralose[1]						
– Overseas sales[2]	–	–	–	–	4,381	31.3
– Export sales[3]	109,623	33.3	70,500	35.2	66,853	33.4
– Domestic sales[4]	6,636	13.8	5,844	20.8	4,503	19.4
	116,259	30.8	76,344	33.4	75,737	31.9
Others[5]						
– Overseas sales[2]	689	100.0	267	100.0	1,524	100.0
– Export sales[3]	–	–	254	15.3	–	–
– Domestic sales[4]	(11,006)	(67.3)	(8,967)	(89.0)	(6,048)	(24.7)
	(10,317)	(60.5)	(8,446)	(70.4)	(4,524)	(17.4)
	194,859	25.6	79,899	17.9	101,900	17.9

Notes:

(1) Due to various factors, including difficulties in the supply and timely delivery of raw materials and the hindrance in our production efficiency, our production capacity fluctuated during the Track Record Period. In the event that our customers require us to provide sucralose urgently, we would procure sucralose from Independent Third Parties to re-sell to our customers. Such sale of sucralose accounted for less than 10% of our total revenue for each of FY2022, FY2023 and FY2024.

(2) Overseas sales mainly represented both the manufacturing and sale of our products took place outside the PRC.

(3) Export sales mainly represented the manufacturing of our products took place in the PRC, but they were exported for sales outside the PRC.

(4) Domestic sales mainly represented both the manufacturing and sale of our products took place within the PRC.

(5) Others mainly include (i) our Group's by-products produced during our manufacturing process, such as sulfite and ammonium chloride; and (ii) our other products, such as mogroside (羅漢果甜苷), carrageenan and agar powder.

Food-grade glycine

Our gross profit generated from food-grade glycine decreased significantly by approximately 83.4% from approximately RMB80.5 million for FY2022 to approximately RMB13.4 million for FY2023. Such decrease was mainly attributable to the decrease in gross profit generated from export sales of food-grade glycine by approximately 95.6% from approximately RMB68.3 million for FY2022 to approximately RMB3.0 million for FY2023. Such decrease was mainly due to the decrease in the average selling price of food-grade glycine from approximately RMB32,778 per ton in FY2022 to approximately RMB17,019 per ton in FY2023, which was in line with the decreasing trend of the average export market price food-grade glycine between 2022 and 2023. Accordingly, our gross profit margin also decreased significantly by approximately 18.6 percent point from approximately 26.1% in FY2022 to approximately 7.5% in FY2023, in particular the gross profit margin for our export sales of food-grade glycine decreased by approximately 25.5 percent point between FY2022 and FY2023. The decrease in our gross profit margin of export sales of food-grade glycine between FY2022 and FY2023 was partially offset by the increase in gross profit margin of overseas sales of food-grade glycine by approximately 11.7 percent point, mainly due to the fact that the decrease in the average selling price of food-grade glycine for overseas sales in FY2023 was outpaced by the decrease in the average price of raw materials for glycine between 2022 and 2023. For details of market price trend of food-grade glycine and the major raw materials for glycine, please refer to the sections headed "Industry overview — Overview of global glycine industry — Price analysis of food-grade glycine" and "Industry overview — Price changes in raw materials" in this document.

Our gross profit generated from food-grade glycine increased from approximately RMB13.4 million for FY2023 to approximately RMB35.7 million for FY2024, primarily due to the increase in sales volume of food-grade glycine for overseas sales in FY2024 as mentioned in the paragraph headed "Revenue — By product type and by sales origin and destination — Food-grade glycine" in this section above, resulting the increase in gross profit from approximately RMB10.4 million recorded for overseas sales of food-grade

glycine for FY2023 to approximately RMB42.2 million for overseas sales of food-grade glycine for FY2024. However, we recorded gross loss of approximately RMB6.5 million and RMB86,000 for our export and domestic sales of food-grade glycine for FY2024, respectively, instead of gross profit of approximately RMB3.0 million and RMB42,000 for our export and domestic sales of food-grade glycine for FY2023, respectively. With respect to export sales, the gross loss in FY2024 was mainly attributable to the (i) decrease in the average selling price of food-grade glycine for export sales in FY2024 as mentioned in the paragraph headed "Revenue — By product type and by sales origin and destination — Food-grade glycine" in this section above; and (ii) increase in transportation costs in FY2024 as mentioned in the paragraph headed "Cost of sales" in this section above. With respect to domestic sales, the gross loss in FY2024 was primarily due to the decrease in the average selling price of food-grade glycine for domestic sales in FY2024 as mentioned in the paragraph headed "Revenue — By product type and by sales origin and destination — Food-grade glycine" in this section above. Accordingly, we recorded an increase in gross profit margin generated from food-grade glycine from approximately 7.5% for FY2023 to approximately 14.9% for FY2024.

Industrial-grade glycine

Our sale of industrial-grade glycine during the Track Record Period was mainly attributable to our domestic sales of industrial-grade glycine during the same period.

We recorded gross loss of approximately RMB1.4 million generated from industrial-grade glycine for FY2023, instead of gross profit of approximately RMB8.4 million for FY2022. The reversal from gross profit in FY2022 to gross loss in FY2023 was mainly due to the significant decrease in average selling price of industrial-grade glycine from approximately RMB21,850 per ton in FY2022 to approximately RMB10,430 per ton in FY2023, which was in line with the decrease in average market domestic price from approximately RMB17,168.8 per ton in 2022 to approximately RMB11,114.8 per ton in 2023. The decrease in our average selling price of industrial-grade glycine between FY2022 and FY2023 outpaced the decrease in market price of our major raw materials of industrial-grade glycine, such as ethanoic acid, during the same period. Accordingly, we recorded gross loss margin of approximately 5.0% for FY2023, instead of gross profit margin of approximately 14.5% for FY2022.

The gross loss for our domestic sales of industrial-grade glycine increased from approximately RMB1.4 million for FY2023 to approximately RMB5.0 million for FY2024, primarily because of the decrease in the average selling price of industrial-grade glycine for domestic sales as mentioned in the paragraph headed "Revenue — By product type and by sales origin and destination — Industrial-grade glycine" in this section above. Accordingly, the gross loss margin for our domestic sales of industrial-grade glycine also increased slightly from approximately 5.0% for FY2023 to approximately 7.5% for FY2024.

We sold our industrial-grade glycine in both FY2023 and FY2024, notwithstanding the gross loss that we recorded for both years, as we considered (i) the gross loss was primarily caused by the fact that we had not achieved economies of scale since we previously lacked the capacity to handle the by-product efficiently; (ii) if we suspended selling industrial-grade glycine, the fixed costs incurred to manufacture industrial-grade

glycine, e.g. salaries and allowances, depreciation of property, plant and equipment and other fixed costs, would nevertheless be recognised, and would adversely affected our financial performance; and (iii) we entered into a sales framework agreement with Customer A to provide approximately 10,000 tons of industrial-grade glycine for the period between June 2024 and May 2025.

Sucralose

Our gross profit of sucralose decreased by approximately 34.3%, from approximately RMB116.3 million for FY2022 to approximately RMB76.3 million for FY2023, mainly because of the decrease in gross profit from export sales of sucralose from approximately RMB109.6 million in FY2022 to approximately RMB70.5 million in FY2023. Such decrease in gross profit from export sales of sucralose was primarily attributable to the decrease in average selling price and sales volume thereof between FY2022 and FY2023. Notwithstanding the foregoing, our gross profit margin for sucralose increased slightly from approximately 30.8% for FY2022 to approximately 33.4% for FY2023, mainly due to the significant decrease in average price of DMF between 2022 and 2023 by approximately 53.9%, which outpaced the decrease in our average selling price of sucralose by approximately 24.0% in 2023.

Our gross profit generated from sucralose decreased from approximately RMB76.3 million for FY2023 to approximately RMB75.7 million for FY2024, primarily due to the decrease in the gross profit generated from the export sales of sucralose from approximately RMB70.5 million in FY2023 to approximately RMB66.9 million in FY2024. This was mainly because of the significant decrease in the average selling price of sucralose for export sales by approximately 24.0%, from approximately RMB248,610 per ton in FY2023 to approximately RMB188,985 per ton in FY2024. The decrease in gross profit generated from export sales of sucralose in FY2024 was offset by the increase in gross profit generated from overseas sales of sucralose in FY2024, which we recorded none in FY2023 as we only commenced selling sucralose manufactured at our Thailand Plant in second half of FY2024. Accordingly, our gross profit margin generated from sucralose decreased from approximately 33.4% for FY2023 to approximately 31.9% for FY2024.

Due to various factors, including difficulties in the supply and timely delivery of raw materials and the hindrance in our production efficiency, our production capacity fluctuated during the Track Record Period. In the event that our customers require us to provide sucralose urgently, we would procure sucralose from Independent Third Parties to re-sell to our customers (the "**TP Procurement Sales**"). The export sales of sucralose derived from the TP Procurement Sales accounted for approximately 3.5%, 6.8% and 2.2% of our total revenue for each of FY2022, FY2023 and FY2024, respectively, while the domestic sales of sucralose derived from the TP Procurement Sales accounted for approximately 3.0%, 1.8% and 1.5% of our total revenue for each of FY2022, FY2023 and FY2024, respectively.

Having considered that we (i) only engaged in TP Procurement Sales for a certain period of time for each year during the Track Record Period; and (ii) engaged in export sales of sucralose and domestic sales of sucralose manufactured by us generally throughout each entire year during the Track Record Period. With the selling price of

sucralose fluctuated throughout each entire year during the Track Record Period, and there were differences between customers mix, shipping locations and logistics arrangements involved in the TP Procurement Sales and the same products manufactured by us, there were differences between the average selling price of each of export sales of sucralose and domestic sales of sucralose generated from the TP Procurement Sales and the same products manufactured by us during the Track Record Period. The average selling price of sucralose derived from the export TP Procurement Sales was approximately RMB327,255 per ton, RMB206,530 per ton and RMB138,911 per ton for each of FY2022, FY2023 and FY2024 respectively, while the average selling price of sucralose manufactured by us for export sales was approximately RMB315,984 per ton, RMB258,032 per ton, RMB193,615 per ton for each of FY2022, FY2023 and FY2024 respectively. The average selling price of sucralose derived from the domestic TP Procurement Sales was approximately RMB295,137 per ton, RMB131,558 per ton and RMB110,448 per ton for each of FY2022, FY2023 and FY2024 respectively, while the average selling price of sucralose manufactured by us for domestic sales was approximately RMB267,776 per ton, RMB206,026 per ton, RMB140,345 per ton for each of FY2022, FY2023 and FY2024 respectively.

On the other hand, since our acquisition costs of sucralose varied depending on the then selling price of the same from third party suppliers, in the event that the unit cost of purchase from third party suppliers was higher than the unit cost of our production, and/or the average selling price of sucralose derived from the TP Procurement Sales being lower than that manufactured by us, the gross profit margin of sucralose derived from the TP Procurement Sales would be lower than that manufactured by us. With respect to export sales of sucralose, the gross profit margin of sucralose derived from the TP Procurement Sales amounted to approximately 22.2%, 46.3% and 26.0% for each of FY2022, FY2023 and FY2024 respectively, while the gross profit margin of sucralose manufactured by us amounted to 34.3%, 33.2% and 33.9% for each of FY2022, FY2023 and FY2024 respectively. With respect to domestic sales of sucralose, the gross profit margin of sucralose derived from the TP Procurement Sales amounted to approximately 12.6%, 15.1% and 14.6% for each of FY2022, FY2023 and FY2024 respectively, while the gross profit margin of sucralose manufactured by us amounted to 14.9%, 23.1% and 22.2% for each of FY2022, FY2023 and FY2024 respectively.

Others

Our other products mainly comprised by-products that we produce during the production process. We do not sell our by-products regularly and only sold a small amount of them to our customers from time to time during the Track Record Period. Since our by-products are required to be disposed of, even though the demand of our by-products was not high, whereby we sold them at minimal selling price which was insufficient to cover the unit cost for production of such by-products, we consider it is appropriate to sell them nevertheless in order to minimise the cost of handling our by-products. Accordingly, we recorded gross loss of approximately RMB10.3 million, RMB8.4 million and RMB4.5 million for each of FY2022, FY2023 and FY2024, and gross loss margin of approximately 60.5%, 70.4%, and 17.4% for the respective years, respectively.

The following table sets out a breakdown of gross profit and gross profit margin by customer type for the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturers	130,460	27.3	40,408	15.3	7,837	3.3
Designated Wholesalers	39,009	32.8	8,411	20.4	(1,266)	(3.4)
Other Wholesalers	25,390	15.4	31,080	21.8	95,329	32.4
	194,859	25.6	79,899	17.9	101,900	17.9

Sales derived from the Designated Wholesalers for FY2024 primarily comprised export sales of food-grade glycine. Since we recorded gross loss from export sales of food-grade glycine for FY2024 as discussed under the paragraph headed "Description of selected items in consolidated statements of profit or loss and income and discussion of results of operation — Gross profit and gross profit margin — Food-grade glycine" in this section above, we generated gross loss of approximately RMB1.3 million for FY2024 from our sales of products to Designated Wholesalers. Accordingly, we recorded gross loss margin of approximately 3.4% for FY2024.

The following table sets out a breakdown of gross profit and gross profit margin by geographical region of the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Europe[(1)]	49,553	20.3	7,323	4.5	(3,339)	(2.8)
North America[(2)]	28,693	40.6	35,608	43.4	97,584	41.7
Asia (excluding Mainland China)[(3)]	29,969	30.6	19,106	27.3	7,158	13.0
Mainland China	5,884	4.5	(4,434)	(6.6)	(6,619)	(5.7)
South America[(4)]	37,156	36.4	12,928	34.3	5,415	19.0
Africa[(5)]	37,582	39.4	8,629	42.2	2,177	24.4
Oceania[(6)]	6,022	31.9	739	12.0	(476)	(6.9)
	194,859	25.6	79,899	17.9	101,900	17.9

Notes:

(1) Europe: We covered, among others, the United Kingdom, Germany and France.

(2) North America: We covered, among others, the US and Canada.

(3) Asia (excluding Mainland China): We covered, among others, Japan and Korea.

(4) South America: We covered, among others, Brazil and Argentina.

(5) Africa: We covered South Africa and Egypt.

(6) Oceania: We covered Australia and New Zealand.

Approximately 41.9%, 40.5% and 15.0% of domestic sales (i.e. sale to customers in Mainland China) of our products for FY2023 derived from sale of sucralose, industrial-grade glycine and other products, respectively. Despite we recorded gross profit of approximately RMB5.8 million from our domestic sales of sucralose for FY2023, it was offset by gross loss of approximately RMB1.4 million and RMB9.0 million from domestic sales of industrial-grade glycine and other products for FY2023, respectively as further discussed under the paragraph headed "Description of selected items in consolidated statements of profit or loss and income and discussion of results of operation — Gross profit and gross profit margin". Accordingly, we recorded gross loss of approximately RMB4.4 million for our domestic sales of products in FY2023, and gross loss margin of approximately 6.6%.

For FY2024, we recorded gross loss of approximately RMB3.3 million, RMB6.6 million and RMB0.5 million for our sale of products to customers in Europe, Mainland China and Oceania, respectively for the following reasons:

- Europe: Approximately 71.5% of our sales from Europe for FY2024 derived from sale of food-grade glycine, which was in line with the gross loss recorded for export sales of food-grade glycine during the same period;

- Mainland China: Approximately 57.0% and 21.0% of domestic sales (i.e. sale to customers in the Mainland China) of our products for FY2024 derived from sales of industrial-grade glycine and other products, respectively, whereby we recorded gross loss of approximately RMB5.0 million and RMB6.0 million from domestic sales of industrial-grade glycine and other products for the same period, respectively, as further discussed under the paragraph headed "Description of selected items in consolidated statements of profit or loss and income and discussion of results of operation — Gross profit and gross profit margin"; and

- Oceania: Most of our sale to customers in Oceania for FY2024 derived from sales of food-grade glycine, which was in line with the gross loss recorded for export sales of food-grade glycine during the same period.

Other income, gains and losses

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank deposits	391	5,302	3,603
Release of assets-related government subsidies	1,382	1,382	1,791
Income-related government grants	6,627	8,778	4,699
Sundry income	176	422	470
Sundry expenses	(874)	(343)	(730)
Realised gain on financial assets at fair value through profit or loss ("**FVPL**")	1,209	285	–
(Loss) gain on write-off/disposal of property, plant and equipment	(12,719)	34	(304)
Impairment loss on property, plant and equipment	(5,544)	(264)	–
Foreign exchange gains, net	24,063	8,188	8,152
Total	14,711	23,784	17,681

Other income, gains and losses mainly represent (i) government grants, including assets-related government subsidies and income-related government grants; (ii) foreign exchange gains, net; and (iii) interest income generated from bank deposits. During each of FY2022, FY2023 and FY2024, our other income, gains and losses amounted to approximately RMB14.7 million, RMB23.8 million and RMB17.7 million, respectively.

Our other income, gains and losses increased by approximately 61.7%, from approximately RMB14.7 million for FY2022 to approximately RMB23.8 million for FY2023, mainly attributable to (i) increase in interest income on bank deposits by approximately RMB4.9 million from approximately RMB0.4 million for FY2022 to approximately RMB5.3 million for FY2023 as we increased our US$ denominated cash deposit during 2023 in light of higher US$ denominated time deposit interest rates; (ii) the reversal from loss on write-off/disposal of property, plant and equipment of approximately RMB12.7 million in FY2022 to gain on write-off/disposal of property, plant and equipment of approximately RMB34,000 in FY2023 as we disposed of a batch of old machineries and equipment during FY2022 since we considered such machineries no longer suitable for operation; and (iii) decrease in impairment loss on property, plant and equipment from approximately RMB5.5 million in FY2022 to approximately RMB0.3 million in FY2023 as certain machineries were not being used and became idle during FY2022 which we provided impairment therefor.

Our other income, gains and losses decreased by approximately 25.7% from approximately RMB23.8 million for FY2023 to approximately RMB17.7 million for FY2024, primarily because (i) decrease in income-related government grants during FY2024; and (ii) the decrease in interest income on bank deposits from approximately RMB5.3 million in FY2023 to approximately RMB3.6 million in FY2024 as a result of the decrease in our US$ denominated cash deposit during FY2024.

Government subsidies and grants

Assets-related government subsidies mainly represented government grants that related to the optimisation project of our energy system and technological upgrade project at our Ji'an Plant. We recognised these government grants as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related assets. We transferred approximately RMB1.4 million, RMB1.4 million and RMB1.8 million for each of FY2022, FY2023 and FY2024, respectively.

Government grants related to income mainly represented small and medium-sized enterprise support funds, foreign trade development support funds and employee stability support funds received by us. Our income-related government grants amounted to approximately RMB6.6 million, RMB8.8 million and RMB4.7 million for each of FY2022, FY2023 and FY2024, respectively.

Realised gain on financial assets at FVPL

During each of FY2022 and FY2023, we acquired financial assets at FVPL at the amount of approximately RMB236.1 million and RMB105.0 million, respectively. Financial assets at FVPL mainly comprised certain wealth management products with floating returns from reputable banks and qualified financial institution in the PRC. During FY2022 and FY2023, we realised gain on financial assets at FVPL of approximately RMB1.2 million and RMB0.3 million, respectively. As we did not acquire any financial assets at FVPL during FY2024, we did not realise any gain on financial assets at FVPL during the same period.

As part of our treasury management policy, we have purchased wealth management products as a means to better utilise our cash on hand on a short-term basis. We established a set of investment policies and internal control measures to safeguard our exposure to investment risks in connection with the purchase of wealth management products. These policies and measures include:

- the types of investment shall generally be low-risk wealth management products including fixed deposits and investments with fixed investment amounts and/or guaranteed returns;

- investments shall only be made when we have surplus cash that is not required for short-term working capital purposes;

- we shall only purchase wealth management products issued by creditworthy banks and/or other qualified financial institution; and

- our finance department is responsible for ensuring that the wealth management products are properly recorded in our financial statements and monitoring the performance of our wealth management products. Any significant or adverse fluctuation in the wealth management products shall be reported to our management in a timely manner.

Any proposed investment in wealth management products shall be subject to the approval of our management.

The purchases or subscriptions of wealth management products by our Group will, upon [**REDACTED**], constitute notifiable transactions for our Company and will be subject to the applicable requirements under Chapter 14 of the Listing Rules. In the event we purchase or subscribe wealth management products after [**REDACTED**], we shall comply with the Listing Rules accordingly.

Selling and distribution expenses

Selling and distribution expenses primarily included (i) staff costs of our sales and marketing team; (ii) marketing and promotion expenses incurred for our participation in exhibitions and printing costs for our promotion materials; and (iii) travelling and entertainment expenses incurred by our sales and marketing personnel. A breakdown of our selling and distribution expenses during the Track Record Period is as follows:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	1,869	61.5	2,462	52.3	1,983	41.7
Marketing and promotion expenses	270	8.9	861	18.3	1,539	32.4
Travelling and entertainment expenses	356	11.8	518	11.0	483	10.2
Others*(Note)*	542	17.8	865	18.4	748	15.7
Total	3,037	100.0	4,706	100.0	4,753	100.0

Note: Others included primarily office expenses, warehouse expenses and transportation expenses.

During each of FY2022, FY2023 and FY2024, our selling and distribution expenses amounted to approximately RMB3.0 million, RMB4.7 million and RMB4.8 million, respectively. Our selling and distribution expenses amounted for approximately 0.4%, 1.1% and 0.8% of our total revenue during each of FY2022, FY2023 and FY2024, respectively.

Our selling and distribution expenses increased slightly by approximately RMB1.7 million, or approximately 54.9%, from approximately RMB3.0 million for FY2022 to approximately RMB4.7 million for FY2023. Such increase was mainly attributable to (i) the

increase in staff costs by approximately 31.7% from approximately RMB1.9 million for FY2022 to approximately RMB2.5 million for FY2023 since there was an increase in number of sales and marketing personnel in FY2023; and (ii) the increase in marketing and promotion expenses by approximately 218.9% from approximately RMB0.3 million for FY2022 to approximately RMB0.9 million for FY2023 as we participated in more exhibitions in FY2023 after the end of COVID-19 emergency.

Our selling and distribution expenses remained stable at approximately RMB4.7 million and approximately RMB4.8 million for FY2023 and FY2024, respectively.

Administrative expenses

Our administrative expenses mainly consisted of (i) staff costs for our administrative personnel and management personnel; (ii) depreciation and amortisation expenses with respect to our office facilities and right-of-use assets representing office premises; (iii) professional expenses, such as legal and auditing fees; (iv) office expenses, such as postage, parcel and courier expenses incurred by our administrative personnel; and (v) travelling and entertainment expenses incurred by our administrative personnel.

The following table sets out a breakdown of our administrative expenses for the years indicated:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	17,887	48.1	13,629	46.8	14,627	47.4
Depreciation and amortisation expenses	4,407	11.9	5,129	17.6	4,125	13.4
Legal and professional fees	1,547	4.2	2,344	8.1	2,082	6.7
Other taxes	1,233	3.3	1,093	3.8	1,423	4.6
Office expenses	1,171	3.2	1,357	4.7	1,307	4.2
Travelling and entertainment expenses	2,153	5.8	1,103	3.8	1,447	4.7
Repair and maintenance fees	570	1.5	890	3.1	254	0.8
Insurance expenses	602	1.6	646	2.2	454	1.5
Electricity and utility expenses	620	1.7	462	1.6	397	1.3
Motor vehicle expenses	422	1.1	452	1.6	459	1.5
Production stop loss[(1)]	3,586	9.6	–	–	2,566	8.3
Others[(2)]	2,974	8.0	1,937	6.7	1,726	5.6
Total	37,172	100.0	29,042	100.0	30,867	100.0

Notes:

(1) As we were required to suspend production temporarily at our Xizang Plant in FY2022 due to the outbreak of COVID-19, relevant expenses related to production, such as staff costs and depreciation expenses, of our Xizang Plant incurred during the period of suspension were recognised by us as production stop loss, being categorised under administrative expenses for FY2022.

We suspended the production at our Ji'an Plant temporarily during FY2024. During the temporary suspension at our Ji'an Plant for FY2024, we continued to incur production-related fixed costs, such as salaries and allowances, depreciation of property, plant and equipment and other fixed costs, which we considered as losses incurred by us for our daily operation at our Ji'an Plant. Such expenses were recognised by us as production stop loss, being categorised under administrative expenses for FY2024. Such production-related fixed costs was partially offset by the compensation of approximately RMB9.0 million that we received from the relevant government authority for such losses during FY2024.

(2) Others primarily included building management fees, bank charges, security fees and consumable expenses.

During each of FY2022, FY2023 and FY2024, our administrative expenses amounted to approximately RMB37.1 million, RMB29.0 million and RMB30.9 million, respectively, which accounted for approximately 4.9%, 6.5% and 5.4% of our total revenue during the respective years.

Administrative expenses decreased by approximately RMB8.1 million, or approximately 21.8%, from approximately RMB37.1 million for FY2022 to approximately RMB29.0 million for FY2023. Such decrease was mainly attributable to (i) the decrease in staff costs by approximately 23.8% due to the decrease in salary and allowances of administrative staff in FY2023; and (ii) the one-off production stop loss incurred by us during FY2022.

Administrative expenses increased by approximately 6.3% from approximately RMB29.0 million for FY2023 to approximately RMB30.9 million for FY2024, primarily because (i) we recorded production stop loss of approximately RMB2.6 million for FY2024 from the temporarily suspension of production at our Ji'an Plant from April 2024 to August 2024 due to the road works performed outside our Ji'an Plant in FY2024; and (ii) there was an increase in staff costs as a result of an increase in number of staff at our Thailand Plant for the production of sucralose thereat in the second half of FY2024.

Research and development costs

The following table sets out a breakdown of our research and development costs by nature for the years indicated:

	For the year ended 31 December					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials consumed	9,821	70.3	11,865	68.9	11,432	68.9
Staff costs	3,993	28.6	4,222	24.5	3,996	24.1
Depreciation	105	0.8	1,129	6.6	1,173	7.0
Others	43	0.3	-	0.0	–	0.0
Total	13,962	100.0	17,216	100.0	16,601	100.0

For each of FY2022, FY2023 and FY2024, we incurred research and development costs of approximately RMB14.0 million, RMB17.2 million and RMB16.6 million, respectively, representing approximately 1.8%, 3.9% and 2.9% of our total revenue, respectively. Our research and development costs primarily include raw materials consumed, R&D personnel costs, and depreciation of property, plant and equipment. Raw materials consumed remained the largest component of our research and development costs during the Track Record Period, accounting for approximately 70.3%, 68.9% and 68.9% of our total research and development costs for each of FY2022, FY2023 and FY2024, respectively. The increase in raw materials consumed during FY2022 and FY2023 was mainly due to the increase in number of our research and development projects during the same period. Our raw materials consumed remained relatively stable at approximately RMB11.9 million in FY2023 and approximately RMB11.4 million in FY2024.

Staff costs remained the second largest component of our research and development costs during the Track Record Period, representing approximately 28.6%, 24.5% and 24.1% of our total research and development costs for each of FY2022, FY2023 and FY2024, respectively.

Impairment losses under ECL model, net of reversal

During the Track Record Period, our impairment losses under ECL model, net of reversal mainly represented the provision for impairment or write off of our trade receivables, deposits and other receivables.

We recorded net impairment loss of approximately RMB1.1 million, RMB0.9 million and RMB5.6 million for each of FY2022, FY2023 and FY2024, respectively.

Our net impairment loss increased to approximately RMB1.1 million for FY2022, which mainly represented impairment loss of approximately RMB1.1 million recognised on trade receivables.

Our net impairment loss decreased to approximately RMB0.9 million for FY2023, which mainly represented impairment loss of approximately RMB0.8 million recognised on trade receivables.

Our net impairment loss increased to approximately RMB5.6 million for FY2024, mainly because we had longer ageing in our trade receivables as at 31 December 2024 since (i) there was an increase in the balance of trade receivables as at 31 December 2024; and (ii) we granted longer credit period to our several major customers in FY2024, which led to the increase in the impairment loss recognised on trade receivables.

For details regarding our impairment policy on trade receivables under the ECL model, please refer to Notes 5 and 40 to the Accountants' Report as set out in Appendix I to this document.

Finance costs

Our finance costs mainly represented interests expenses on bank borrowings, other borrowings and lease liabilities. For details of our bank borrowings, please refer to the paragraph headed "Indebtedness" in this section below. Our finance costs amounted to approximately RMB5.0 million, RMB3.5 million and RMB2.8 million for each of FY2022, FY2023 and FY2024, respectively.

Our finance costs decreased by approximately 30.0% from approximately RMB5.0 million for FY2022 to approximately RMB3.5 million for FY2023, mainly due to the decrease in the interests on bank borrowings by approximately 27.0% as our loan balance decreased during FY2023.

Our finance costs remained relatively stable at approximately RMB3.5 million for FY2023 and approximately RMB2.8 million for FY2024.

Income tax expense

The following table sets out a breakdown of our income tax expense for the years indicated:

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– PRC enterprise income tax	20,270	2,657	1
– Overseas income tax	1,975	776	8,609
	22,245	3,433	8,610
Deferred taxation	5,050	287	(3,282)
	27,295	3,720	5,328

Our effective tax rate for each of FY2022, FY2023 and FY2024 was approximately 18.3%, 7.7% and 10.9%, respectively.

Income tax expense decreased by approximately 86.4% from approximately RMB27.3 million for FY2022 to approximately RMB3.7 million for FY2023. Such decrease was due to the decrease in the profit before tax and effective tax rate between FY2022 and FY2023. Our effective tax rate for the same period decreased significantly from approximately 18.3% for FY2022 to approximately 7.7% for FY2023, which was mainly due to the (i) substantial amount of our Group's profit derived from our Company for FY2023, whereby our Company was subject to a more preferential EIT rate of 15%; and (ii) the recognition of the unused tax loss of approximately RMB1.6 million as deferred tax assets for FY2023.

Our income tax expenses increased by approximately 43.2% from approximately RMB3.7 million for FY2023 to approximately RMB5.3 million for FY2024, mainly due to the increase in effective tax rate between FY2023 and FY2024. Our effective tax rate for the same period increased from approximately 7.7% for FY2023 to approximately 10.9% for FY2024, because more profits were contributed by our Indonesian subsidiaries which are subject to higher corporate income tax rate.

PRC Enterprise Income Tax ("EIT")

Members of our Group in the PRC are subject to EIT in the PRC. The EIT has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the PRC companies in our Group during the Track Record Period, unless they are subject to tax exemption as further discussed below.

Our Company was recognised as "High and New Technology Enterprise" in 2021 for a period of three years, the applicable preferential EIT rate for our Company was 15% for each of FY2022 and FY2023. The qualification was renewed in 2024, hence our Company continued to enjoy a preferential EIT rate at 15% for FY2024.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, our Company, being a High and New Technology Enterprise, is entitled to claim the Super Deduction, i.e. 200% of our research and development expenses so incurred as tax deductible expenses, when determining our assessable profit.

During FY2022, our Company, being a High and New Technology Enterprise, is allowed to deduct the full amount of equipment newly purchased during the period from 1 October 2022 to 31 December 2022 from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax according to Announcement 2022 No. 28 issued by the MOF, the State Administration of Taxation of the PRC and the Ministry of Science and Technology of the PRC.

Ji'an Zhike, being a subsidiary of our Company that was established in 2022, is eligible as a "Small Low-profit Enterprise" and subject to the relevant preferential tax treatments. During FY2022 and FY2024, the annual taxable income of not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to EIT calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%. No provision for PRC EIT was made as Ji'an Zhike did not generate any assessable profits during FY2023.

Hong Kong profits tax

Under the two-tiered profits tax rates regime of Hong Kong profits tax, the first HK$2 million of profits of our Hong Kong operating subsidiary, namely NTFC (HK) Co., Limited (新琪安(香港)有限公司), will be taxed at 8.25%, and profits above HK$2 million of the same company will be taxed at 16.5% for the Track Record Period.

Overseas profits tax

Newtrend Nutrition, being our subsidiary incorporated in Indonesia, is subject to the corporate income tax at a rate of 22% during the Track Record Period.

Newtrend Thailand, being our subsidiary incorporated in Thailand, is subject to the corporate income tax at a rate of 20% during the Track Record Period. Under the investment preferential BOI policy, Newtrend Thailand is not subject to tax on its BOI business income relating to its manufacturing of sucralose, which belongs to the preferential policy for FY2024.

Our subsidiary incorporated in the Netherlands, i.e. Newtrend Europe, was subject to the corporate income tax at a rate of 15% for FY2022 for taxable income that did not exceed the amount of EUR395,000 and the tax rate of 25.8% should apply to the taxable income exceeded the amount of EUR395,000. For FY2023 and FY2024, the corporate income tax was 19% for taxable income that did not exceed the amount of EUR200,000, and the tax rate of 25.8% applied to the taxable income exceeded the amount of EUR200,000.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material disputes or unresolved issues with tax authorities of jurisdictions that we operate in.

Profit for the year

As a result of the foregoing reasons, our profit decreased by approximately 63.4% from approximately RMB122.0 million for FY2022 to approximately RMB44.7 million for FY2023, while our profit margin decreased by approximately 6.0 percent point, from approximately 16.0% for FY2022 to approximately 10.0% for FY2023.

As a result of the foregoing reasons, our profit remained relatively stable at approximately RMB44.7 million for FY2023 and approximately RMB43.4 million for FY2024, whereas our profit margin decreased slightly by approximately 2.4 percent point, from approximately 10.0% for FY2023 to approximately 7.6% for FY2024.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are for operating activities, capital expenditure and repayment of borrowings, and have funded through a combination of cash generated from our operations and bank borrowings. We currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from [**REDACTED**] of the [**REDACTED**] for implementing our future plans as detailed under the section headed "Future plans and [**REDACTED**]" in this document.

WORKING CAPITAL

Taking into account the financial resources available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available bank facilities and the [**REDACTED**] from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document. After making reasonable inquiries of our management about our working capital, the Sole Sponsor concurs with the views of our Directors.

We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities, bank facilities and funds raised from financing activities, including the [**REDACTED**] we will receive from the [**REDACTED**].

Save as disclosed under the paragraph headed "Indebtedness — Contingent liabilities" below in this section, our Directors have confirmed that, up to the date of this document, there have been no material defaults in payment of trade and non-trade payables and borrowings, and/or no breaches of covenants in respect of our bank and other loans during the Track Record Period.

The following table sets out our cash flows for the years indicated:

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flow before movement in working capital	220,845	86,807	94,853
Change in working capital	(19,130)	(46,624)	(82,581)
Income tax paid	(9,318)	(13,983)	(7,972)
Net cash generated from operating activities	192,397	26,200	4,300
Net cash used in investing activities	(43,332)	(56,955)	(72,081)
Net cash generated from/(used in) financing activities	(51,555)	(44,662)	7,288
Net increase/(decrease) in cash and cash equivalents	97,510	(75,417)	(60,493)
Cash and cash equivalents at beginning of the year	82,501	178,246	105,194
Effects of exchange rate changes on cash and cash equivalents	(1,765)	2,365	1,428
Cash and cash equivalents at end of the year	178,246	105,194	46,129

Net cash generated from operating activities

Net cash generated from operating activities amounted to approximately RMB192.4 million for FY2022, was a combined result of approximately RMB201.7 million of cash generated from operations and income tax paid of approximately RMB9.3 million. The cash generated from operations were primarily attributable to (i) our operating cash flow before change in working capital of approximately RMB220.8 million; (ii) decrease in inventories of RMB17.8 million; partially offset by (a) decrease in trade and bills payables of approximately RMB24.9 million; and (b) decrease in other payables and accruals of approximately RMB10.1 million.

Net cash generated from operating activities amounted to approximately RMB26.2 million for FY2023, was a combined result of approximately RMB40.2 million of cash generated from operations and income tax paid of approximately RMB14.0 million. The cash generated from operations were primarily attributable to our operating cash flow before change in working capital of approximately RMB86.8 million; partially offset by (a) increase in trade and bills receivables of approximately RMB15.9 million; (b) increase in inventories of RMB14.1 million; and (c) decrease in other payables and accruals of approximately RMB8.1 million.

Net cash generated from operating activities amounted to approximately RMB4.3 million for FY2024, was a combined result of approximately RMB12.3 million of cash generated from operations and income tax paid of approximately RMB8.0 million. The cash generated from operations were primarily attributable to (i) our operating cash flow before change in working capital of approximately RMB94.9 million and (ii) increase in trade and bills payables of approximately RMB26.1 million; partially offset by increase in trade and bills receivables of approximately RMB112.5 million.

Net cash used in investing activities

For FY2022, our Group had net cash used in investing activities of approximately RMB43.3 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of approximately RMB236.1 million; and (ii) purchase of property, plant and equipment of approximately RMB46.8 million, offset by the proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB237.3 million.

For FY2023, our Group had net cash used in investing activities of approximately RMB57.0 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of approximately RMB105.0 million; and (ii) purchase of property, plant and equipment of approximately RMB68.4 million, offset by proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB105.3 million.

For FY2024, our Group had net cash used in investing activities of approximately RMB72.1 million, which was mainly attributable to purchase of property, plant and equipment of approximately RMB79.7 million.

Net cash generated from/(used in) financing activities

For FY2022, our Group had net cash used in financing activities of approximately RMB51.6 million, which was mainly attributable to (i) repayments of bank borrowings of approximately RMB150.5 million; and (ii) repayment of other borrowings of approximately RMB17.6 million, offset by new bank borrowings of approximately RMB131.7 million being raised.

For FY2023, our Group had net cash used in financing activities of approximately RMB44.7 million, which was mainly attributable to (i) repayments of bank borrowings of approximately RMB121.3 million; and (ii) payment of dividend of approximately RMB11.1 million, offset by new bank borrowings of approximately RMB93.8 million being raised.

For FY2024, our Group had net cash generated from financing activities of approximately RMB7.3 million, which was primarily attributable to new bank borrowings of approximately RMB98.6 million, offset by repayments of bank borrowings of approximately RMB83.5 million.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment mainly represent machinery for the production of our products, buildings and structures, construction in progress, and freehold land. As at 31 December 2022, 2023 and 2024, the carrying amount of property, plant and equipment amounted to approximately RMB302.6 million, RMB344.3 million and RMB386.4 million, respectively.

Property, plant and equipment increased slightly by approximately 13.8% from approximately RMB302.6 million as at 31 December 2022 to approximately RMB344.3 million as at 31 December 2023, mainly due to the addition of construction in progress of approximately RMB65.7 million, partially offset by the depreciation charge of approximately RMB33.4 million during FY2023.

Property, plant and equipment increased slightly from approximately RMB344.3 million as at 31 December 2023 to approximately RMB386.4 million as at 31 December 2024, mainly due to the additions of construction in progress of approximately RMB75.0 million during FY2024.

Right-of-use assets

Our right-of-use assets mainly represented our right, as lessee, to use leased properties. Our right-of-use assets remained stable at approximately RMB14.0 million, RMB13.4 million and RMB12.5 million as at 31 December 2022, 2023 and 2024, respectively.

Inventories

Our inventories primarily consist of (i) raw materials and consumables, such as sucrose, DMF, ethanoic acid and liquid ammonia; (ii) work in progress mainly comprises semi-finished products; and (iii) finished goods which are our glycine and sucralose ready to be sold. The following table sets out the components of our inventories as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	19,949	19,908	19,480
Work in progress	27,348	29,192	23,123
Finished goods	43,806	48,433	42,012
Goods in transit	12,382	8,256	12,518
	103,485	105,789	97,133
Less: Provision for write-down	(13,362)	(7,702)	(5,230)
Total	90,123	98,087	91,903

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

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	2,204	13,362	7,702
Provided for the year	12,411	6,142	3,961
Write-off	(1,253)	(11,802)	(6,433)
At the end of the year	13,362	7,702	5,230

Our balance of inventories increased slightly by approximately RMB8.0 million, or approximately 8.8%, from approximately RMB90.1 million as at 31 December 2022 to approximately RMB98.1 million as at 31 December 2023, primarily due to the increase in finished goods by approximately RMB4.6 million as we did not sell as much sucralose during FY2023. This is because the market price of sucralose dropped significantly throughout 2023, whereby we intend to maintain gross profit margin at a certain level. Accordingly, we accumulated sucralose towards the end of FY2023, which was in line with the decrease in our sales volume in sucralose between FY2022 and FY2023.

Our balance of inventories decreased slightly by approximately RMB6.2 million, or approximately 6.3%, from approximately RMB98.1 million as at 31 December 2023 to approximately RMB91.9 million as at 31 December 2024, mainly due to the fact that we sold more sucralose during the fourth quarter of FY2024 since the market price thereof was at reasonable level that we think it was appropriate to sell more during the same period.

We recorded provision for write-down of inventories of approximately RMB13.4 million, RMB7.7 million and RMB5.2 million as at 31 December 2022, 2023 and 2024, respectively. As we sold glycine and sucralose which we made impairment as at 31 December 2022 during FY2023, the write-off of approximately RMB11.8 million had been reversed, resulting in the decrease in provision for write-down from approximately RMB13.4 million as at 31 December 2022 to approximately RMB7.7 million as at 31 December 2023. We recorded a decrease in the provision for write-down of inventories from approximately RMB7.7 million as of 31 December 2023 to RMB5.2 million as of 31 December 2024 mainly because we sold other products and industrial-grade glycine which we made impairment as at 31 December 2023 during FY2024, resulting in the write-off of approximately RMB6.4 million. Such decrease was partially offset by the increase in provision of approximately RMB4.0 million as at 31 December 2024.

The following table sets out the ageing analysis of our inventories (before provision for write-down of inventories) as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	77,734	72,597	84,155
31-60 days	3,833	26,770	3,906
61-180 days	12,422	4,491	3,149
181-365 days	7,526	211	2,829
More than 1 year	1,970	1,720	3,094
	103,485	105,789	97,133

As at 31 March 2025, approximately RMB82.8 million, or approximately 90.1%, of our inventories as at 31 December 2024 was subsequently utilised or sold. Accordingly, we are of the view that there is no material recoverability issue for our inventories.

The following table sets out the turnover days of our inventories for the year indicated:

	For the year 31 December		
	2022	**2023**	**2024**
Average inventory turnover days	73	104	79

Note: Average inventory turnover days are derived by dividing the average of the opening and closing balances of inventories (before provision for write-down) for the relevant year by cost of sales and multiplying by the number of days in the relevant year.

Our average inventory turnover days increased from approximately 73 days for FY2022 to approximately 104 days for FY2023, mainly due to the decrease in our cost of sales in FY2023.

Our average inventory turnover days decreased from approximately 104 days for FY2023 to approximately 79 days for FY2024, mainly due to the decrease in closing balances of inventories as of 31 December 2024 as mentioned above.

Trade receivables and bills receivables

The following table sets out the breakdown of our trade receivables and bills receivables as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	102,895	119,425	232,267
Less: loss allowance	(5,576)	(6,441)	(12,103)
	97,319	112,984	220,164
Bills receivables	5,217	5,530	4,449
	102,536	118,514	224,613

Trade receivables

Trade receivables as at the respective year end during the Track Record Period principally represented the outstanding amounts receivable by us from our customers.

Notwithstanding the decrease in our revenue in FY2023, our trade receivables increased to approximately RMB113.0 million as at 31 December 2023 mainly because certain of our major customers with long credit period placed orders with us towards the end of FY2023. Our trade receivables increased from approximately RMB113.0 million as at 31 December 2023 to approximately RMB220.2 million as at 31 December 2024, mainly because (i) we increased sale to Customer E, where the credit period granted thereto was 180 days during FY2024 attributing to trade receivables of approximately RMB73.5 million as at 31 December 2024; (ii) we increased sale to Customer D and such customer, with a credit period of 150 days granted by our Group, mainly procured sucralose from our Group in the third and fourth quarter of FY2024, attributing to trade receivables of approximately RMB65.2 million as at 31 December 2024, we increased sale to Customer E and Customer D in FY2024 since, so far as our Directors are aware of, Customer E and Customer D stockpiled towards the end of FY2024 in anticipation of trade tariffs to be imposed on PRC products exported into the US after the return of the Trump Administration in early 2025; and (iii) the credit period that we granted to certain members of our Swiss Food and Beverage Customer increased to 120 days, attributing to trade receivables of approximately RMB15.6 million as at 31 December 2024. We granted longer credit periods to (i) Customer E due to the fact that we derived a significant amount of revenue from Customer E in FY2024; and (ii) certain members of our Swiss Food and Beverage Customer due to the then uncertain economic environment, and after considering our long-lasting and credible relationship with such customer and its positive credit history. These customers were the top three customers of our trade receivables as at 31 December 2024, with their aggregate trade receivables therefrom amounting to approximately 70.1% of our total trade receivables as at 31 December 2024.

For both new and existing customers, our Group will apply an internal credit assessment policy to assess the customer's credit quality. The credit term of our customers is generally up to 180 days. Our Group seeks to maintain strict control over our outstanding receivables to minimise the credit risk. We typically do not hold any collateral as security from our customers.

Our management performs impairment assessment under ECL model and recognises lifetime ECL for our trade receivables. The ECL on trade receivables are assessed on individual basis for customers with high credit risk and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of debtor, general economic conditions of industry in which the debtor operates in, and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. Where there is objective evidence of impairment, our management makes judgements as to whether a loss allowance should be recognised.

Our provision for impairment of trade receivables increased from approximately RMB5.6 million as at 31 December 2022 to approximately RMB6.4 million as at 31 December 2023 as a result of the increase in trade receivables as at 31 December 2023. Our provision for impairment of trade receivables increased from approximately RMB6.4 million as at 31 December 2023 to approximately RMB12.1 million as at 31 December 2024, mainly due to the increase in our trade receivables as at 31 December 2024 as mentioned above.

The following table sets out the ageing analysis of our trade receivables (net of allowance) presented based on the date of transfer of goods or issue of invoice as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	21,858	51,269	54,356
31 to 60 days	20,591	20,587	55,750
61 to 90 days	32,731	12,398	39,232
91 days to 180 days	16,398	22,453	43,728
181 days to 365 days	5,676	6,081	27,055
More than one year	65	196	43
Total	97,319	112,984	220,164

Having considered that (i) a substantial portion of our trade receivables balance as of 31 December 2024 was aged within 60 days based on the date of transfer of goods or issue of invoice; (ii) only approximately RMB35.4 million, or 16.1% of the total trade receivables as at 31 December 2024 was past due; (iii) the trade receivables balances were mainly due from customers with ongoing business relationship with us or which are sizable corporations with good reputation and financial position, in particular, our trade receivables of approximately RMB15.6 million and RMB7.8 million were attributable to members of our Swiss Food and Beverage Customer and members of our American Beverage Customer, respectively, which are listed on the SWX and the NYSE, and hence the expected credit losses of these companies were considered relatively low; (iv) there were no material ongoing disputes or potential disputes with these customers; (v) these customers had been making continuous subsequent repayment to us and their historical

repayment patterns were generally consistent during the Track Record Period; (vi) we have continuously carried out stringent credit management policy, such as closely monitoring the amounts and turnover days of our trade receivables to minimise and control credit risk, and the recovery status on a regular basis to ascertain the collectability of our trade receivables; and (vii) sufficient loss allowance provisions for trade receivables were made in accordance with HKFRS to reflect uncertainties associated with the outstanding amount and we would continue to make sufficient provisions to account for any potential write-offs and contingent factors, we are of the view that there is no material recoverability issue for our trade receivables.

As at 31 March 2025, approximately RMB76.7 million, or approximately 34.8%, of our trade receivables outstanding as at 31 December 2024 were subsequently settled.

The table below sets out summary of the average turnover days of our trade receivables for the years indicated:

	For the year 31 December		
	2022	**2023**	**2024**
Average trade receivables turnover days	45	91	113

Note: Average turnover days of trade receivables are derived by dividing the average of the opening and closing balances of trade receivables for the relevant year by revenue and multiplying by the number of days in the relevant year.

Our average turnover days of trade receivables increased from approximately 45 days for FY2022 to approximately 91 days for FY2023 mainly because of (i) the increase in the average balance of trade receivables as at 31 December 2023 as compared to that as at 31 December 2022; and (ii) the decrease in the revenue as discussed under the paragraph headed "Consolidated statements of profit or loss and other comprehensive income — Revenue" in this section above. Our average turnover days of trade receivables increased from approximately 91 days for FY2023 to approximately 113 days for FY2024, mainly due to the increase in the average balance of trade receivables as a result of the increase in trade receivables as at 31 December 2024 as mentioned above.

Bills receivables

Our bills receivables represent short-term bank acceptance bills receivables that entitle our Group to receive the full face amount from the banks at maturity, which is generally within 12 months from the date of issuance. We recorded bills receivables of approximately RMB5.2 million, RMB5.5 million and RMB4.4 million as at 31 December 2022, 2023 and 2024, respectively.

Our Group from time to time endorsed certain bills receivables (the "**Endorsed Notes**") accepted by banks in Mainland China to certain suppliers in order to settle trade payables due to such suppliers. As at 31 December 2022, 2023 and 2024, an aggregate carrying amount of approximately RMB5.8 million, RMB25.9 million and RMB43.4 million, respectively, of notes receivables were endorsed to certain suppliers of our Group.

In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have the right of recourse against our Group if the banks in Mainland China default (the "**Continuing Involvement**"). As at 31 December 2022, 2023 and 2024, our Directors believe that we transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks (the "**Derecognised Notes**"), which amounted to approximately RMB0.9 million, RMB21.5 million and RMB38.9 million, respectively. As such, we derecognised the full carrying amounts of the Derecognised Notes and associated payables settled by such Derecognised Notes.

The maximum exposure to loss from our Continuing Involvement in the Derecognised Notes and undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. Our Directors are of the view that the fair values of the Continuing Involvement in the Derecognised Notes are not significant.

For the rest of the Endorsed Notes, our Directors believe that we have retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes. Accordingly, we continue to recognise the full carrying amounts of the Endorsed Notes. As at 31 December 2022, 2023 and 2024, the aggregate carrying amounts of the trade payables settled by such Endorsed Notes to which the suppliers have recourse were approximately RMB4.8 million, RMB4.5 million and RMB4.4 million, respectively, and such balances have been included in our other payables and accruals.

For details regarding impairment assessment of bills receivables, please refer to Note 40 to the Accountants' Report as set out in Appendix I to this document.

Prepayment, deposits and other receivables

The following table sets out an analysis of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for acquisition of property, plant and equipment	4,280	505	1,862
Prepayment for raw materials	9,601	2,539	6,338
Prepayment of expenses	1,772	1,418	1,763
Deferred [**REDACTED**] cost	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deductible value-added tax	7,095	10,898	10,240
Other receivables	349	677	1,395
Deposits	243	346	206
	23,340	16,383	28,302
Less: loss allowance	(122)	(191)	(124)
	23,218	16,192	28,178
Analysed for reporting purposes as:			
Current assets	18,938	15,687	26,316
Non-current assets	4,280	505	1,862
	23,218	16,192	28,178

Prepayment

Our prepayment for acquisition of property, plant and equipment as at 31 December 2022 was mainly attributable to the prepayment for acquisition of equipment for our Company as at 31 December 2022. Our prepayment for acquisition of property, plant and equipment remained relatively stable at approximately RMB0.5 million as at 31 December 2023 and approximately RMB1.9 million as at 31 December 2024.

Our prepayment for raw materials decreased from approximately RMB9.6 million as at 31 December 2022 to approximately RMB2.5 million as at 31 December 2023 primarily because we then expected our production capacity at the beginning of 2024 would be lower, we procured less raw materials towards the end of FY2023 and prepaid less accordingly. Our prepayment for raw materials increased from approximately RMB2.5 million as at 31 December 2023 to approximately RMB6.3 million as at 31 December 2024 primarily because we prepaid more for our raw materials as a result of the increase in production volume during FY2024.

Deductible value-added tax

Our deductible value-added tax increased from approximately RMB7.1 million as at 31 December 2022 to approximately RMB10.9 million as at 31 December 2023 mainly because we recorded more revenue for FY2022, resulting in most of the deductible VAT with respect to our procurement during FY2022, being offset by the output VAT arising from for our sale of products during the same period. Our deductible value-added tax remained stable at approximately RMB10.9 million and RMB10.2 million as at 31 December 2023 and 2024, respectively.

Our balance of prepayments, deposits and other receivables decreased from approximately RMB23.2 million as at 31 December 2022 to approximately RMB16.2 million as at 31 December 2023, mainly due to the decrease in prepayments for (i) acquisition of property, plant and equipment; and (ii) raw materials as mentioned above.

Our balance of prepayments, deposits and other receivables increased from approximately RMB16.2 million as at 31 December 2023 to approximately RMB28.2 million as at 31 December 2024, which was mainly due to the (i) incurrence of deferred [**REDACTED**] cost for [**REDACTED**]; and (ii) the increase in prepayment for raw materials.

Trade and bills payables

Our trade and bills payables mainly represented the outstanding amounts payable by us to our suppliers and short-term bank acceptance bill payables that entitle our Group's suppliers to receive the full face amount from the banks with maturities within 12 months. During the Track Record Period, the credit period normally granted by our suppliers to us was up to 60 days.

The following table sets out our trade and bills payables as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	70,227	60,893	78,486
Bills payables	2,650	9,323	17,799
Total	72,877	70,216	96,285

Trade payables

Our trade payables decreased from approximately RMB70.2 million as at 31 December 2022 to approximately RMB60.9 million as at 31 December 2023 mainly as we acquired less raw materials in FY2023.

Our trade payables increased from approximately RMB60.9 million as at 31 December 2023 to approximately RMB78.5 million as at 31 December 2024, primarily attributable to the increase in trade payables for raw materials as a result of the increased production volume at each of our production plants during FY2024.

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	24,964	21,805	34,281
31 days to 60 days	6,749	10,320	12,808
61 days to 90 days	9,106	5,886	8,171
91 days to 180 days	7,097	7,739	10,957
181 days to 365 days	7,877	7,924	3,324
More than one year	14,434	7,219	8,945
	70,227	60,893	78,486

As at 31 March 2025, approximately RMB58.0 million, or approximately 74.0%, of trade payables as at 31 December 2024 had been subsequently settled.

The table below sets out summary of the average turnover days of our trade payables for the years indicated:

	For the year 31 December		
	2022	**2023**	**2024**
Average trade payables turnover days	52	65	54

Note: Average turnover days of trade payables are derived by dividing the average of the opening and closing balances of trade payables for the relevant year by cost of sales and multiplying by the number of days in the relevant year.

Our average trade payables turnover days increased slightly from approximately 52 days for FY2022 to approximately 65 days for FY2023 mainly due to the decrease in cost of sales for reasons discussed under the paragraph headed "Consolidated statements of profit or loss and other comprehensive income — Cost of sales" in this section above.

Our average trade payables turnover days decreased from approximately 65 days for FY2023 to approximately 54 days for FY2024, mainly because of the increase in the cost of sales for reasons discussed under the paragraph headed "Consolidated statements of profit or loss and other comprehensive income — Cost of sales" in this section above.

Bills payables

Our bills payables increased from approximately RMB2.7 million as at 31 December 2022 to approximately RMB9.3 million as at 31 December 2023, and further increased to approximately RMB17.8 million as at 31 December 2024 primarily as a result of the increase in our usage of bank notes to settle payment with our supplier during FY2023 and FY2024.

Other payables and accruals

We had other payables and accruals of approximately RMB43.9 million, RMB41.6 million and RMB48.9 million as at 31 December 2022, 2023 and 2024, respectively. Our other payables and accruals mainly consisted of (i) payables for purchases of property, plant and equipment; (ii) other payables that mainly represented selling and distribution expenses and administrative expenses that were payable by us; and (iii) payables for staff related costs mainly representing salaries and wages payables to our employees. The following table sets out the breakdown of our payables and accruals as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and wages payables	6,609	4,542	4,924
Payables for purchases of property, plant and equipment	21,209	27,035	26,530
Other tax payables	5,923	663	996
Interest payables	113	65	75
Other payables	5,292	4,872	9,721
Accrued **[REDACTED]** cost	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Endorsed bills receivables that have not been derecognised and not yet due	4,840	4,461	4,432
Total	43,986	41,638	48,852

Our other payables and accruals remained stable at approximately RMB44.0 million and RMB41.6 million as at 31 December 2022 and 2023, respectively.

Our other payables and accruals increased slightly from approximately RMB41.6 million as at 31 December 2023 to approximately RMB48.9 million as at 31 December 2024, mainly attributable to (i) incurrence of accrued [**REDACTED**] cost with respect to [**REDACTED**] as at 31 December 2024; and (ii) the increase in other payables from approximately RMB4.9 million as at 31 December 2023 to approximately RMB9.7 million as at 31 December 2024.

Contract liabilities

Contract liabilities mainly arise from the advance payments made by customers while products are yet to be provided. Our contract liabilities amounted to approximately RMB7.7 million, RMB0.8 million and RMB5.7 million as at 31 December 2022, 2023 and 2024, respectively.

During FY2023, we started to grant longer credit period to our customers. Thus, our contract liabilities further decreased to approximately RMB0.8 million as at 31 December 2023.

Contract liabilities increased significantly from approximately RMB0.8 million as at 31 December 2023 to approximately RMB5.7 million as at 31 December 2024, primarily attributable to the fact that we required prepayment from a member of our Swiss Food and Beverage Customer that is located in Russia during FY2024, instead of granting credit period thereto in previous years, after we considered the relatively higher credit risk of such customer that is located in Russia during the same period.

Deferred income

Deferred income mainly represented the amortisation of government subsidies that are received by us from local government in the PRC as an incentive for our purchase of certain plants and machineries and technological upgrade. The government subsidies were included in the consolidated statement of financial position as deferred income, and credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected useful life of the relevant depreciable assets.

Our deferred income increased from approximately RMB3.8 million as at 31 December 2022 to approximately RMB6.9 million as at 31 December 2023, which was mainly attributable to the addition of approximately RMB4.5 million of government subsidies that were received by us with respect to completion of exhaust gas improvement project during FY2023.

Our deferred income increased from approximately RMB6.9 million as at 31 December 2023 to approximately RMB9.1 million as at 31 December 2024, primarily because we received a one-off special fund of RMB4.0 million from the government for our research and development on one of our major pipeline products, namely seaweed dietary fibre, during FY2024.

NET CURRENT ASSET

We recorded net current assets of approximately RMB76.8 million, RMB67.4 million, RMB68.7 million and RMB149.8 million as at 31 December 2022, 2023 and 2024 and 31 March 2025, respectively. The table below sets out the selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 31 March
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	90,123	98,087	91,903	89,677
Trade and bills receivables	102,536	118,514	224,613	282,612
Prepayments, deposits and other receivables	18,938	15,687	26,316	22,476
Bank balances and cash	179,316	107,991	51,469	54,041
	390,913	340,279	394,301	448,806
Current liabilities				
Trade and bills payables	72,877	70,216	96,285	106,856
Other payables and accruals	43,986	41,638	48,852	72,514
Income tax payables	13,086	2,566	3,203	8,606
Contract liabilities	7,729	792	5,685	6,811
Lease liabilities	509	609	324	334
Bank borrowings	77,100	59,600	74,700	99,600
Other borrowings	97,400	95,650	95,650	3,403
Deferred income	1,382	1,791	909	909
	314,069	272,862	325,608	299,033
Net current asset	76,844	67,417	68,693	149,773

Our net current assets decreased slightly from approximately RMB76.8 million as at 31 December 2022 to approximately RMB67.4 million as at 31 December 2023. Such decrease was mainly due to decrease in bank balances and cash from approximately RMB179.3 million at 31 December 2022 to approximately RMB108.0 million as at 31 December 2023.

Our net current assets remained relatively stable at approximately RMB67.4 million as at 31 December 2023 and approximately RMB68.7 million as at 31 December 2024.

Our net current assets increased from approximately RMB68.7 million as at 31 December 2024 to approximately RMB149.8 million as at 31 March 2025, mainly because of the decrease in other borrowings from approximately RMB95.7 million as at 31 December 2024 to approximately RMB3.4 million as at 31 March 2025.

INDEBTEDNESS

The following table sets out the components of our indebtedness as of the dates indicated:

	As at 31 December			As at 31 March
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Bank borrowings	77,100	59,600	74,700	99,600
Other borrowings	97,400	95,650	95,650	3,403
Lease liabilities	509	609	324	334
	175,009	155,859	170,674	103,337
Non-current				
Bank borrowings	10,000	–	–	–
Other borrowings	–	–	–	90,365
Lease liabilities	520	327	–	–
	10,520	327	–	90,365
Total	185,529	156,186	170,674	193,702

Bank borrowings

As at 31 December 2022, 2023 and 2024 and 31 March 2025, our bank borrowings amounted to approximately RMB87.1 million, RMB59.6 million, RMB74.7 million and RMB99.6 million, respectively.

As at 31 December 2022, 2023 and 2024 and 31 March 2025, certain related parties of our Group, including our Controlling Shareholders, namely Mr. Wang, Ms. Ding and Newtrend Industrial provided guarantees to our bank borrowings. For further details, please refer to Note 36(d) to the Accountants' Report as set out in Appendix I to this document. The guarantees provided by Mr. Wang, Ms. Ding and Newtrend Industrial will be released or replaced by corporate guarantees provided by our Company upon [**REDACTED**].

As of 31 March 2025, we had aggregate bank facilities of approximately RMB225.0 million, of which approximately RMB103.3 million was unutilised.

Other borrowings

Our other borrowings, amounting to approximately RMB97.4 million, RMB95.7 million, RMB95.7 million and RMB93.8 million as at 31 December 2022, 2023 and 2024 and 31 March 2025, respectively, mainly represented our borrowings from 西藏藏青工業園投資股份有限公司 ("**Zang Qing Investment**"), an Independent Third Party. During the Track Record Period, the loans from Zang Qing Investment were unsecured and interest-free on the principal amount. Subsequent to the Track Record Period and as at 31 March 2025, as a result of entering into the Xizang Settlement Agreement (as defined below), such loans were secured and interest-bearing on the principal amount. For further details, please refer to the sub-paragraph headed "Contingent liabilities" below.

Lease liabilities

The following table sets out the breakdown of our lease liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current liabilities	509	609	324	334
Non-current liabilities	520	327	–	–
Total	1,029	936	324	334

We leased certain buildings for our offices during the Track Record Period. Our lease liabilities mainly represent net present value of the lease payments in respect of our leased properties.

Our lease liabilities remained relatively stable at approximately RMB1.0 million and RMB0.9 million as at 31 December 2022 and 2023, respectively. Our lease liabilities decreased to approximately RMB0.3 million as at 31 December 2024 as the lease agreement with respect to our office located at Nanchang expired as at 31 December 2024. Our lease liabilities remained relatively stable at approximately RMB0.3 million as at 31 December 2024 and 31 March 2025.

For details of our Group's lease liabilities, please refer to Note 25 to the Accountants' Report as set out in Appendix I to this document.

Statement of indebtedness

Our Directors confirm that as of the Latest Practicable Date, the loan and borrowing agreements did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings, or issue debt or equity securities in the future. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities, or receive requests for early repayment by banks and other institutions.

Save as disclosed under the paragraphs headed "Indebtedness" and "Contingent liabilities" in this section above, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans, unutilised banking facilities or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of 31 March 2025.

Our Directors confirm that there is no material change to our Company's indebtedness since 31 March 2025, being the latest practicable date for the purpose of determining our indebtedness, and up to the date of this document.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, save as disclosed below, we did not have any material contingent liabilities.

Other borrowings from Zang Qing Investment

Pursuant to the agreement (the "**Xizang Agreement**") entered into between Xizang Newtrend, 西藏自治區藏青工業園管理委員會 (Tibet Autonomous Region Zangqing Industrial Park Management Committee*) (the "**Xizang Committee**"), Zang Qing Investment and Newtrend Industrial in 2017, (i) the Xizang Committee shall provide funds as subsidy (the "**Xizang Funds**") to Xizang Newtrend to cover the actual natural gas expenses upon completion of the construction and development of our Xizang Plant (the

"**Project**") and operation of the boiler with respect to the Project; and (ii) the Zang Qing Investment shall assist in providing the Xizang Funds to Xizang Newtrend as borrowings (the "**Zang Qing Borrowings**"). The Zang Qing Borrowings amounted to approximately RMB97.4 million, RMB95.7 million and RMB95.7 million as at 31 December 2022, 2023 and 2024, respectively and is unsecured and interest-free on the principal amount. Newtrend Industrial, being one of our Controlling Shareholders, agreed to provide guarantee for Xizang Newtrend to repay the funds provided by Zang Qing Investment.

Pursuant to the Xizang Agreement, (a) approximately RMB40.0 million shall be repaid within the first year after the Project is in operation; and (b) approximately RMB60.0 million shall be repaid within the second year after the Project is in operation. We defaulted in the repayment of the abovementioned Zang Qing Borrowings in 2018 in accordance with the terms set out in the Xizang Agreement.

Pursuant to the Xizang Agreement, in the event that we default in the repayment of the Zang Qing Borrowings to Zang Qing Investment as per the aforementioned schedule, we shall pay an overdue penalty amounting to the PBOC's one-year benchmark loan interest rate with respect to the overdue borrowing due to Zang Qing Investment. As at 31 December 2022, 2023 and 2024, the aggregate overdue penalty from the Zang Qing Borrowings amounted to approximately RMB13.8 million, RMB17.3 million and RMB20.5 million, respectively.

Apart from having contingent liabilities with respect to the overdue penalty from the Zang Qing Borrowings, the fact that we defaulted in the repayment of the Zang Qing Borrowings did not have any implications on our operations, including but not limited to, our ability to obtain new or renew existing bank borrowings.

Pursuant to the Xizang Agreement, the Xizang Committee agreed to commit to grant a subsidy as monthly financial assistance to the actual natural gas expense which exceed the base price stated in the Xizang Agreement to Xizang Newtrend. Despite Xizang Newtrend has met the requirement with respect to the Xizang Funds with completion of the Project and operation of the boiler with respect to the Project, since to the best knowledge of our Directors, the approval of Xizang Funds is subject to the internal procedures of Xizang Committee, our Group did not receive any funds from the Xizang Committee during the Track Record Period. The unrecovered Xizang Funds shall also be subject to the PBOC's one-year benchmark loan interest rate of the overdue Xizang Funds from the Xizang Committee.

According to HKAS 20 Government Grants, government subsidy shall not be recognised until there is reasonable assurance that (i) the entity will comply with the conditions attaching to them; and (ii) the grants will be received. As such, we have not recognised the Xizang Funds as income in our consolidated financial statements for each of FY2022, FY2023 and FY2024. As at 31 December 2022, 2023 and 2024, the outstanding balance of the Xizang Funds and interests accrued therefrom amounted to approximately RMB52.4 million, RMB62.9 million and RMB81.8 million, respectively. During the Track Record Period, our Directors considered that it was possible that there would be a inflow of economic benefits regarding the aforementioned outstanding balance of the Xizang Funds and interests accrued therefrom. Thus, we had contingent assets as at 31 December 2022, 2023 and 2024.

Having considered the following factors, our Directors consider, and the Reporting Accountants concur, that it is not probable that an outflow of economic benefits regarding overdue penalty incurred from the Zang Qing Borrowings will be required according to HKSA37 *Provisions, Contingent Liabilities and Contingent Assets*, thus no provision should be made with respect to the overdue penalty accrued from the Zang Qing Borrowings during the Track Record Period and going forward:

(1) the nature of the Zang Qing Borrowings, together with the Xizang Funds, should be considered as the grant/support from the government bodies to attract enterprise to develop in the relevant administrative area, the terms thereof may not be comparable to those standard commercial terms of standard bank borrowings;

(2) as (i) the Xizang Agreement stipulated that, in the event that Xizang Newtrend defaults in the repayment of the Zang Qing Borrowings to Zang Qing Investment as a result of the fault of Xizang Committee, Xizang Newtrend shall not be liable for overdue penalty of Zang Qing Borrowings; (ii) we have not received the Xizang Funds as at the Latest Practicable Date; and (iii) our Directors understand that the Zang Qing Borrowings, the overdue penalty accrued from the Zang Qing Borrowings, the Xizang Funds should be considered as an arrangement as a whole, instead of as separate events, our Directors believe that, and our PRC Legal Advisers concur, Xizang Newtrend shall not be liable for overdue penalty of Zang Qing Borrowings; and

(3) the Zang Qing Investment has never taken any action against us to demand payment of any overdue penalty incurred from the Zang Qing Borrowings, our PRC Legal Advisers are of the view that the risk of Zang Qing Investment imposing penalties on our Group with respect to the Zang Qing Borrowings is remote.

In January 2025, our Company, Xizang Newtrend, Newtrend Industrial and Zang Qing Investment entered into a settlement agreement (the "**Xizang Settlement Agreement**"), pursuant to which, among others, (i) each party to the Xizang Settlement Agreement agreed to re-arrange the repayment schedules of the outstanding principal amount of the Zang Qing Borrowings, amounting to approximately RMB95.7 million; and (ii) Xizang Newtrend agreed to provide its leasehold land, property, plant and machinery as security (the "**New Zang Qing Borrowings**"). Pursuant to the Xizang Settlement Agreement, each party thereto also agreed not to claim for a breach relating to their respective rights and obligations as stipulated under the Xizang Agreement, i.e. the Xizang Funds and overdue penalty from the Zang Qing Borrowings.

Pursuant to the Xizang Settlement Agreement, it was further agreed that (a) Xizang Newtrend shall repay part of the principal and interest accrued therefrom in an aggregate amount of approximately RMB37.5 million by instalments between 2025 and 2027, whereby the interest rate of the New Zang Qing Borrowings is the prevailing market rate between 2025 and 2027; and (b) the remaining balance should not be settled earlier than 1 January 2028 and subject to further negotiations. For further details, please refer to Note 41 to the Accountants' Report as set out in Appendix I to this document.

As a result of the foregoing, our Group did not have any contingent liabilities relating to the overdue penalty and contingent assets relating to the Xizang Funds as at the Latest Practicable Date.

The guarantee provided by Newtrend Industrial to our Group with respect to the Zang Qing Borrowings has been released since the date of the Xizang Settlement Agreement.

Guarantees provided to the Redemption Liability of Mr. Wang and Newtrend Industrial

As disclosed in the section headed "History and corporate structure — Pre-[**REDACTED**] Investments" in this document, some of our Pre-[**REDACTED**] Investors were granted certain special rights. Among such certain special rights, our Controlling Shareholders, namely Mr. Wang and Newtrend Industrial, offered redemption right (the **"Redemption Liability**") to Pingtan Xinghang Investment, and later the Xingzheng Parties, regarding their respective Pre-[**REDACTED**] Investments with financial guarantee provided by our Company (the "**Financial Guarantee**").

The Redemption Liability is secured by (i) properties (the "**Pledged Assets**") owned by Mr. Wang, and his spouse, namely Ms. Ding; and (ii) properties (the "**Additional Pledged Assets**") owned by Mr. Wang's son, namely Mr. Wang Hao, and a company controlled by Mr. Wang Hao. Having considered that the loss allowances for the Financial Guarantee were insignificant as at the end of each period of the Track Record Period after taking into account of the Pledged Assets and the Additional Pledged Assets, our Directors are of the view that no loss allowances for the Financial Guarantee was recognised in the profit or loss during the Track Record Period.

A supplemental agreement was entered into among the Xingzheng Parties, Mr. Wang, Newtrend Industrial and our Company in June 2024, pursuant to which all of the special rights granted to the Xingzheng Parties will be automatically terminated upon [**REDACTED**]. The Redemption Liability and Financial Guarantee have been terminated along with the repurchase right on the date of the first submission of the [**REDACTED**], and may be reinstated upon the earliest of (i) the [**REDACTED**] being withdrawn by our Company; (ii) the [**REDACTED**] being rejected by the Stock Exchange; (iii) the failure to commence the [**REDACTED**] by 30 June 2025; and (iv) the failure to complete the CSRC filing by 30 June 2025.

CAPITAL EXPENDITURES

Our principal capital expenditures primarily relate to additions of property, plant and equipment which mainly include construction in progress and machinery for our daily operations, and right-of-use assets. The following table sets out a breakdown of our historical capital expenditures as at dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Additions of items of property, plant and equipment	35,980	74,034	80,093
Additions of right-of-use assets	1,120	667	100
Total	37,100	74,701	80,193

CONTRACTUAL OBLIGATIONS

Capital commitments

The following table sets out an aggregate capital commitment as at 31 December 2022, 2023 and 2024:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	24,730	7,641	4,644

Our capital commitment principally represents our commitment for construction of property, plant and equipment, including the construction work regarding the implementation of comprehensive technical transformation project at our Ji'an Plant, and construction of our Indonesia Plant.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as of the dates indicated:

	For the year ended/As at 31 December		
	2022	**2023**	**2024**
Gross profit margin[(1)]	25.6%	17.9%	17.9%
Net profit margin[(2)]	16.0%	10.0%	7.6%
Return on equity[(3)]	30.5%	10.3%	9.1%
Return on total asset[(4)]	16.8%	6.3%	5.3%
Current ratio[(5)]	1.2	1.2	1.2
Quick ratio[(6)]	1.0	0.9	0.9
Gearing ratio[(7)]	0.46	0.36	0.36
Net debt to equity ratio[(8)]	0.02	0.12	0.26

Notes:

(1) Gross profit margin is calculated by subtracting cost of sales from total revenue and dividing that by total revenue for the year and multiplied by 100%.

(2) Net profit margin is calculated by dividing profit for the year by the respective total revenue and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the year divided by total equity at the end of the year and multiplied by 100%.

(4) Return on total asset is calculated by dividing profit for the year by total assets and multiplied by 100%.

(5) Current ratio is calculated based on the total current assets at the respective dates divided by the total current liabilities at the respective dates.

(6) Quick ratio is calculated based on the total current assets (excluding inventories) at the respective dates divided by the total current liabilities at the respective dates.

(7) Gearing ratio represents total bank borrowings, other borrowings and lease liabilities divided by total equity as at the end of the financial year and multiplied by 100%.

(8) Net debt to equity ratio represents total bank borrowings, other borrowings and lease liabilities less cash and cash equivalents divided by total equity as at the end of the financial year.

Gross profit margin

Please refer to the paragraph headed "Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Gross profit and gross profit margin" in this section above for detailed analysis.

Net profit margin

Please refer to the paragraph headed "Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Profit for the year" in this section above for detailed analysis.

Return on equity

Our return on equity decreased to approximately 10.3% for FY2023 mainly due to the fluctuation in profit during the same period as discussed under the paragraph headed "Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Profit for the year" in this section above. Our return on equity remained relatively stable at approximately 10.3% and 9.1% for FY2023 and FY2024, respectively.

Return on total asset

Our return on total asset amounted to approximately 16.8%, 6.3% and 5.3% for each of FY2022, FY2023 and FY2024, respectively. The fluctuation in our return on total asset was primarily attributable to the fluctuation in profit during the same period as discussed under the paragraph headed "Description of selected items in consolidated statements of profit or loss and other comprehensive income and discussion of results of operation — Profit for the year" in this section above.

Current ratio

Our current ratio remained stable at approximately 1.2 as at 31 December 2022, 2023 and 2024, respectively.

Quick ratio

Our quick ratio was approximately 1.0, 0.9 and 0.9 as at 31 December 2022, 2023 and 2024, respectively.

Gearing ratio

Our gearing ratio was approximately 0.46, 0.36 and 0.36 as at 31 December 2022, 2023 and 2024, respectively. The decreasing trend of our gearing ratio as at 31 December 2022 and 2023 was mainly due to (i) the decrease in our indebtedness as we repaid our bank borrowings and other borrowings; and (ii) the increase in our equity base following the profit generated throughout FY2022 and FY2023. Our gearing ratio remained stable at approximately 0.36 as at 31 December 2023 and 2024.

Net debt to equity ratio

Our net debt to equity ratio increased from approximately 0.02 as at 31 December 2022 to approximately 0.12 as at 31 December 2023 mainly due to the decrease in our cash and cash equivalents by approximately RMB73.0 million, partially offset by the decrease in our indebtedness by approximately RMB29.3 million as at 31 December 2023.

Our net debt to equity ratio further increased from approximately 0.12 as at 31 December 2023 to approximately 0.26 as at 31 December 2024 mainly due to the decrease in cash and cash equivalents by approximately RMB59.1 million.

RELATED PARTY TRANSACTIONS

Related party transactions

During the Track Record Period, we entered into a number of related party transactions. For details, please refer to Note 36 to the Accountants' Report as set out in Appendix I to this document.

Our Directors believe that each of the related party transactions was conducted in the ordinary and usual course of business on an arm's length basis. Our Directors are of the view that our related party transactions during the Track Record Period would not distort results or make our historical results not reflective of our future performance.

Balances with related parties

Since we procured raw materials from an entity controlled by Mr. Wang Hao, a Director, during FY2022, we had trade payables of approximately RMB385,000 due to such entity as at 31 December 2022.

In addition, we also rented one of our offices from Mr. Wang during the Track Record Period. Accordingly, we had lease liabilities of approximately RMB0.8 million, RMB0.5 million and RMB0.3 million due to Mr. Wang as at 31 December 2022, 2023 and 2024, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

RISK DISCLOSURES

We are exposed to a variety of financial risks, including market risk (including currency risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. Our overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on our Group's financial performance.

Market risk

Currency risk

We have foreign currency sales and bank balances. Thus, we are exposed to foreign currency risk.

The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities as at the dates indicated are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Assets			
– US$	178,366	183,043	258,337
Liabilities			
– US$	1,764	1,159	6,846

We currently do not have any foreign exchange hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. For details of the sensitivity analysis on our foreign currency risk, please refer to Note 40 to the Accountants' Report as set out in Appendix I to this document.

Interest rate risk

Our Group is exposed to fair value interest rate risk in relation to borrowings and lease liabilities, all bearing fixed interest rates. Our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. Our Group currently does not have any instruments to hedge against the fair value interest rate risk.

Credit risk

Credit risk arise when our counterparties default on their contractual obligations resulting in financial losses to our Group. Our maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

We performed impairment assessment for financial assets under ECL model. For further details regarding our maximum credit risk exposures and the related impairment assessment, if applicable, please refer to Note 40 to the Accountants' Report as set out in Appendix I to this document.

Liquidity risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operation and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings, ensures compliance with loan covenants and renews bank borrowings, if necessary. For details of the analysis on our liquidity risk, please refer to Note 40 to the Accountants' Report as set out in Appendix I to this document.

DIVIDENDS

We paid interim dividend of approximately RMB8.6 million to our Shareholders during FY2022 pursuant to a resolution relating to the declaration of interim dividend of the same amount passed in the Shareholders' meeting on 16 November 2022. For FY2023, we paid a final dividend of approximately RMB11.1 million to our Shareholders pursuant to a resolution relating to the declaration of final dividend of the same amount passed in the Shareholders' meeting on 30 June 2023. We did not declare any dividends during FY2024.

The Board has absolute discretion as to whether to declare any dividend for any year and, if it decides to declare a dividend, how much to declare. The Board will submit such proposal in respect of dividend payments to the Shareholders' general meeting for approval. The amount of any dividends to be declared or paid will depend on, among other things, applicable laws and regulations, our results of operation, cash flows, financial condition and operating and capital requirements. Holders of our Shares will be entitled to receive dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

As at the Latest Practicable Date, we did not have any specific dividend policy nor any pre-determined dividend payout ratio.

DISTRIBUTABLE RESERVE

Our Company was established as a limited liability company in the PRC on 8 September 2006 and was converted into a joint stock limited company on 4 December 2017 under the laws of the PRC. Pursuant to the Articles, profit after taxation of our Company, after (i) offsetting losses carried forward from previous years; (ii) transferring 10% of its profit after taxation as contribution to its statutory reserve fund under the relevant PRC rules and regulations; and (iii) deducting other contributions to the reserve fund as determined by our Company, shall be distributable to our Shareholders as dividends. As at 31 December 2024, our Company had retained earnings of approximately RMB84.6 million under HKFRS.

[REDACTED] EXPENSES

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately RMB[**REDACTED**] million assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), accounting for approximately [**REDACTED**]% of gross [**REDACTED**]. Among such estimated total [**REDACTED**] expenses, (i) [**REDACTED**]-related expenses, including [**REDACTED**], are expected to be approximately RMB[**REDACTED**] million; and (ii) non-[**REDACTED**]-related expenses of approximately RMB[**REDACTED**] million, comprising (a) fees and expenses of the Sole Sponsor, legal advisers and reporting accountant of approximately RMB[**REDACTED**] million; and (b) other fees and expenses of approximately RMB[**REDACTED**] million.

Among the estimated aggregate amount of our [**REDACTED**] expenses, (i) approximately RMB[**REDACTED**] million was charged to the consolidated statements of profit or loss and other comprehensive income during FY2024; (ii) approximately RMB[**REDACTED**] million is expected to be charged to the consolidated statements of profit or loss and other comprehensive income after the Track Record Period; and (iii) approximately RMB[**REDACTED**] million will be deducted from the equity. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

Please see the section headed "Unaudited [**REDACTED**] financial information" in Appendix II to this document for our unaudited [**REDACTED**] adjusted net tangible assets.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraph headed "Recent development" below and the [**REDACTED**] expenses in connection with the [**REDACTED**], our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 31 December 2024 (being the date as of which our latest audited consolidated financial statements were prepared as set out in Appendix I to this document) and up to the date of this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

For the three months ended 31 March 2025, there was an increase in the sales volume of our products, in particular, food-grade glycine and sucralose, which both increased significantly by over 40%, as compared to that for the same period in 2024.

Subsequent to the Track Record Period and as at the Latest Practicable Date, the US government introduced (i) the US 2025 IEEPA Tariff on goods from various countries including the PRC, where all goods exported from the PRC to the US would be subject to an additional 20% tariff in total, with a few exceptions; and (ii) the US Reciprocal Tariff on certain goods from various countries including the PRC, Indonesia and Thailand, where all goods exported to the US from (a) the PRC would be subject to an additional 34% tariff (paused for 90 days and subject to a 10% tariff instead from 14 May 2025); (b) Indonesia would be subject to an additional 32% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025); and (c) Thailand would be subject to an additional 36% tariff (paused for 90 days and subject to a 10% tariff instead from 10 April 2025), with a few exceptions, under which glycine is subject to the US Reciprocal Tariff, whereas sucralose is not subject to the same as it falls under the exemption under Annex II to the reciprocal tariff pursuant to President Trump's Executive Order of 2 April 2025. For further details regarding the US tariff on our products and its impact on our Group, please refer to the section headed "Business — Our customers — Analysis of impact of the U.S. tariff on our Group" in this document.

As set out in the section headed "Business — Our strategies" in this document, one of our strategies is to prioritise and focus on overseas markets continuously via, amongst others, producing isomalt in our Thailand Plant. We intend to use part of the [**REDACTED**] of the [**REDACTED**] for production of isomalt in our Thailand Plant. Please refer to the section headed "Future plans and [**REDACTED**] — [**REDACTED**]" in this document for further details. It is expected that the construction works for the production line of isomalt will be completed in the second quarter of 2025. As at the Latest Practicable Date, construction works for the production line of isomalt were substantially completed, and we expect to commence sale of isomalt in the first half of 2025.

On the other hand, one of our Controlling Shareholders, namely Newtrend Industrial, provided guarantee to our Group with respect to borrowings for our operations in Xizang during the Track Record Period. Such guarantee was released subsequent to the Track Record Period and as at the Latest Practicable Date as our Company, Xizang Newtrend, Newtrend Industrial and Zang Qing Investment entered into a settlement agreement. For further details, please refer to section headed "Financial information — Contingent liabilities — Other borrowings from Zang Qing Investment" in this document.

Moreover, in recognition of our effort in the development and application of seaweed dietary fibre, we were granted with the "2024 Provincial Talent Development Special Fund* (2024年省級人才發展專項資金)" in December 2024, which is a government subsidy in the amount of RMB4.0 million, to support our development in seaweed dietary fibre. Such government subsidy would be charged to the consolidated statements of profit or loss and other comprehensive income upon completion of the production plant of seaweed dietary fibre, and had been recognised in May 2025 on a systematic basis over the useful lives of the related assets.

FUTURE PLANS

Please see the section headed "Business — Our strategies" in this document for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming (i) the [**REDACTED**] is not exercised; and (ii) an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] stated in this document), resulting in the gross [**REDACTED**] of approximately HK$[**REDACTED**] million and [**REDACTED**] expenses of approximately HK$[**REDACTED**] million.

The table below sets out the expected implementation timetable of the planned use of our [**REDACTED**]:

	For the year end 31 December		
	2025	**2026**	**Total**
	(HK$ million)		
Production of isomalt in our Thailand Plant	[REDACTED]	[REDACTED]	[REDACTED]
– Construction works for the production line of isomalt	[REDACTED]	[REDACTED]	[REDACTED]
Production of seaweed dietary fibre and serine	[REDACTED]	[REDACTED]	[REDACTED]
– Construction works for a new production plant	[REDACTED]	[REDACTED]	[REDACTED]
– Construction works for the new production line of seaweed dietary fibre	[REDACTED]	[REDACTED]	[REDACTED]
– Construction works for the new production line of serine	[REDACTED]	[REDACTED]	[REDACTED]
– Production costs and operating expenses for the production of seaweed dietary fibre	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of our R&D capabilities	[REDACTED]	[REDACTED]	[REDACTED]
– Expansion of our R&D team	[REDACTED]	[REDACTED]	[REDACTED]
– Expansion of our R&D centre	[REDACTED]	[REDACTED]	[REDACTED]
– Intended cooperation with renowned third-party institutions	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for production of isomalt in our Thailand Plant for the year ending 31 December 2025, which will be used for construction works for the production line of isomalt with an expected designed annual production capacity of 15,000 tons. We are required to conduct initial environmental examination and obtain the relevant production permit before we commence the commercial production of isomalt. As at the Latest Practicable Date, (i) we had obtained the initial environmental examination approval from the relevant Thailand regulatory; and (ii) we were in the process of applying for the relevant production permit, which is expected to be obtained in June 2025. As at the Latest Practicable Date, the construction works of the new production line were substantially completed, and it is expected that the construction works will be completed in the second quarter of 2025, and we expect to arrange for payment in late 2025 by different stages. We also expect to complete calibration and adjustment of equipment in the first half of 2025. The first stage of the production line has an expected annual production capacity of 6,000 tons (expected to be completed in the second quarter of 2025) and the second stage of the production line is expected to reach an annual production capacity of 15,000 tons (expected to be completed in September 2025). It is expected that the Group will commence sale of isomalt in the first half of 2025. The breakdown of the expected capital expenditure for the construction works for the year ending 31 December 2025 is as follows:

	For the year ending 31 December 2025 *(HK$ million)*
For the first stage of the production line:	
Purchase of machinery	**[REDACTED]**
Construction and renovation fees	**[REDACTED]**
Logistics fees	**[REDACTED]**
For the second stage of the production line:	
Purchase of machinery	**[REDACTED]**
Public works	**[REDACTED]**
Total	**[REDACTED]**

The Group did not have any capital commitment regarding the construction works for the production line of isomalt as at 31 December 2024;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for production of seaweed dietary fibre and serine in the next two years, which includes the following:

  (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for construction works for a new production plant adjacent to the location of our Ji'an Plant, which is expected to have a total site area of around 9,000 sq.m. with a warehouse of around 3,000 sq.m.. Such production plant will be used for the production of seaweed dietary fibre and serine. We own a land parcel of a total site area of around 19,000 sq.m., which is adjacent to the location of our Ji'an Plant. We plan to commence construction works for the new production plant on such parcel of land. As at the Latest Practicable Date, we had obtained the relevant state-owned construction land use rights (國有建設用地使用權). We are also required to obtain various permits and approvals, and conduct various filings and reports for the construction of the new production plant, such as (i) obtaining planning and construction permits for the land and building works from the relevant PRC regulatory, which are expected to be obtained in the first half of 2025; (ii) conducting various assessment reports such as feasibility assessment, environmental impact assessment, energy saving assessment, which are expected to be completed by the first half of 2025; (iii) conducting requisite fire protection design review, fire protection inspection or fire protection acceptance for the record, which is expected to be completed in early 2026. The construction works for the new production plant is expected to be substantially completed in 2025. The breakdown of the expected capital expenditure for the construction works for the two years ending 31 December 2026 is as follows:

	For the year ending 31 December	
	2025	**2026**
	(HK$ million)	*(HK$ million)*
Construction work fees (including construction works of production plant, warehouse, workshop and sewage station)	**[REDACTED]**	**[REDACTED]**
Building works fees for utilities (such as power supply and cooling system)	**[REDACTED]**	**[REDACTED]**
Compliance works fees (such as feasibility assessment fees, environmental impact assessment fees, energy saving assessment fees)	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

The Group did not have any capital commitment regarding the construction works for the new production plant in Ji'an as at 31 December 2024;

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the construction works for the new production line of seaweed dietary fibre with an expected designed annual production capacity of 3,000 tons. We are required to register seaweed dietary fibre under our relevant food production licence. The construction works for the new production line involve the acquisition and installation of machinery and equipment, which is expected to be substantially completed in 2025. The breakdown of machinery and equipment is as follows:

Machinery and equipment	**Number of units**	**Budgeted cost per unit**
Equipment used for pre-processing	10	Range from approximately RMB[**REDACTED**] to RMB[**REDACTED**]
Equipment used for enzymatic hydrolysis	7	Range from approximately RMB[**REDACTED**] to RMB[**REDACTED**]
Equipment used for drying and packaging	6	Range from approximately RMB[**REDACTED**] to RMB[**REDACTED**]

The expected capital expenditure for the construction works for the two years ending 31 December 2026 is approximately HK$[**REDACTED**] million and HK$[**REDACTED**] million respectively. The Group did not have any capital commitment regarding the construction works for the new production line of seaweed dietary fibre as at 31 December 2024;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the construction works for the new production line of serine with an expected designed annual production capacity of 3,000 tons. We are required to register serine under our relevant food production licence. The construction works for the new production line involve the acquisition and installation of machinery and equipment, which is expected to be substantially completed in 2025. The breakdown of machinery and equipment is as follows:

Machinery and equipment	**Number of units**	**Budgeted cost per unit**
Equipment used for fermentation	8	Range from approximately RMB[**REDACTED**] to RMB[**REDACTED**]
Equipment used for separation and purification	6	Approximately RMB[**REDACTED**]
Equipment used for drying and packaging	11	Range from approximately RMB70,000 to RMB4,500,000

The expected capital expenditure for the construction works for the two years ending 31 December 2026 is approximately HK$[**REDACTED**] million and HK$[**REDACTED**] million respectively. The Group did not have any capital commitment regarding the construction works for the new production line of serine as at 31 December 2024; and

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for production costs and operating expenses for the production of seaweed dietary fibre, where:

- for the year ending 31 December 2025: approximately HK$[**REDACTED**] million will be used for staff costs; approximately HK$[**REDACTED**] million will be used for procurement of raw materials and utility expenses;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for enhancement of our R&D capabilities in the next two years, which includes the following:

  (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for expansion of our R&D team by recruiting 35 additional R&D staff and to cover salaries of 5 existing R&D staff in our R&D centre. Details of the additional R&D staff are as follows:

Roles and main duties	Expected approximate yearly salary	Main relevant experience and qualifications required	Year of recruitment and number of additional staff	Period of salaries coverage for the additional staff
Deputy director of the R&D centre, who is mainly responsible for leading the R&D projects of the Group and assisting the R&D director in overseeing the R&D activities	RMB[**REDACTED**] to RMB[**REDACTED**]	– More than 10 years of related domestic and overseas working experience, and more than 5 years in R&D management – With a doctoral or postdoctoral degree in food science, biofermentation or biosynthesis related majors	2026: 1	For the year ending 31 December 2026
Supervisor for market intelligence division, who is mainly responsible for market research on, among others, latest patent applications	RMB[**REDACTED**] to RMB[**REDACTED**]	– More than 5 years of working experience in food, nutrition, medicine or health products fields – With a master degree in law or law related subjects	2025: 1	For the two years ending 31 December 2026
R&D manager for product application and formulation R&D division, who is mainly responsible for the development of compound sweeteners and leading other R&D staff to carry out product application research and development	RMB[**REDACTED**] to RMB[**REDACTED**]	– More than 5 years of relevant R&D experience – With a master degree in food science, food nutrition, functional food or other related subjects	2026: 1	For the year ending 31 December 2026

Roles and main duties	Expected approximate yearly salary	Main relevant experience and qualifications required	Year of recruitment and number of additional staff	Period of salaries coverage for the additional staff
R&D manager for new product development division, who is mainly responsible for the development of new products	RMB[**REDACTED**] to RMB[**REDACTED**]	– More than five years of working experience as a R&D manager in the fields of functional sugar alcohols or related fields – With a master degree in food, biological fermentation, sugar chemistry and related majors	2025: 1 2026: 1	For the two years ending 31 December 2026 or for the year ending 31 December 2026
R&D manager for seaweed dietary fibre R&D division, who is mainly responsible for the testing and development of seaweed dietary fibre, including cooperation with third parties for data analysis and testing	RMB[**REDACTED**] to RMB[**REDACTED**]	– More than three years of working experience in enzyme application, strain improvement and biosynthesis – With a master degree in the relevant fields	2026: 1	For the year ending 31 December 2026
R&D manager for innovative food ingredients R&D division, who is mainly responsible for the innovative development of new food ingredients	RMB[**REDACTED**] to RMB[**REDACTED**]	– More than five years of experience in R&D of functional food ingredients – With a master degree in food science, marine chemistry, Chinese medicine chemistry, and other related majors	2026: 1	For the year ending 31 December 2026
Other R&D staff, where each of them will be responsible for the R&D in respective areas to assist the responsible supervisor or R&D manager(s) in the respective divisions	RMB[**REDACTED**] to RMB[**REDACTED**]	– With a master degree in the related fields in the respective divisions	2025: 23	For the two years ending 31 December 2026

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the expansion of our R&D centre, which includes renovation work fees, rental and payment of fixed assets; and

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our intended cooperation with renowned third-party institutions. Our criteria on selecting the third-party institutions for cooperation depend on the various needs of our R&D projects, for example:

- for R&D projects which focus on product development, we aim to cooperate with renowned institutions which possess relevant invention patents and other related intellectual property rights;

- for R&D projects which require third-party clinical testing, we aim to cooperate with renowned clinical testing institutions recognised by the National Certification and Accreditation Administration or National Health and Family Planning Commission; and

- for R&D projects which require analytical testing, we aim to cooperate with testing institutions with relevant testing capabilities and equipment such as polymerase chain reaction (PCR) testing equipment and gel permeation chromatography (GPC) testing equipment; and

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our working capital and general corporate purposes.

If the [**REDACTED**] is fixed at the high-end of the indicative [**REDACTED**], being HK$[**REDACTED**] per Share, the [**REDACTED**] we receive from the [**REDACTED**] will increase by approximately HK$[**REDACTED**] million. If the [**REDACTED**] is set at the low-end of the indicative [**REDACTED**], being HK$[**REDACTED**] per Share, the [**REDACTED**] we receive from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**] million.

To the extent that the [**REDACTED**] from the [**REDACTED**] are either more or less than expected, we will adjust our allocation of the [**REDACTED**] for the above purposes on a pro-rata basis. If the [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes, we will only deposit such [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

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The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

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

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEWTREND GROUP HOLDING CO., LTD. AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Newtrend Group Holding Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-72, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2022, 2023 and 2024 (the "**Track Record Period**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024, and of the financial performance and cash flows of the Group for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and were audited by us in accordance with Hong Kong Standards of Auditing issued by HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	761,499	446,938	568,867
Cost of sales		(566,640)	(367,039)	(466,967)
Gross profit		194,859	79,899	101,900
Other income, gains and losses	*7*	14,711	23,784	17,681
Selling and distribution expenses		(3,037)	(4,706)	(4,753)
Administrative expenses		(37,172)	(29,042)	(30,867)
Research and development costs		(13,962)	(17,216)	(16,601)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Impairment losses under expected credit loss model, net of reversal	*8*	(1,126)	(867)	(5,633)
Finance costs	*9*	(4,957)	(3,470)	(2,786)
Profit before taxation	*10*	149,316	48,382	48,734
Income tax expense	*11*	(27,295)	(3,720)	(5,328)
Profit for the year		122,021	44,662	43,406
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		(474)	1,711	783
Total comprehensive income for the year		121,547	46,373	44,189
Earnings per share (expressed in RMB per share)	*15*			
Basic and diluted		1.42	0.52	0.51

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	302,631	344,262	386,389
Right-of-use assets	*17*	13,969	13,400	12,465
Prepayments	*20*	4,280	505	1,862
Deferred tax assets	*29*	14,868	14,763	17,891
		335,748	372,930	418,607
Current assets				
Inventories	*18*	90,123	98,087	91,903
Trade and bills receivables	*19*	102,536	118,514	224,613
Prepayments, deposits and other receivables	*20*	18,938	15,687	26,316
Bank balances and cash	*21*	179,316	107,991	51,469
		390,913	340,279	394,301
Current liabilities				
Trade and bills payables	*22*	72,877	70,216	96,285
Other payables and accruals	*23*	43,986	41,638	48,852
Income tax payables		13,086	2,566	3,203
Contract liabilities	*24*	7,729	792	5,685
Lease liabilities	*25*	509	609	324
Bank borrowings	*26*	77,100	59,600	74,700
Other borrowings	*27*	97,400	95,650	95,650
Deferred income	*28*	1,382	1,791	909
		314,069	272,862	325,608
Net current assets		76,844	67,417	68,693
Total assets less current liabilities		412,592	440,347	487,300

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Lease liabilities	*25*	520	327	–
Bank borrowings	*26*	10,000	–	–
Deferred income	*28*	2,381	5,090	8,181
		12,901	5,417	8,181
Net assets		399,691	434,930	479,119
Capital and reserves				
Share capital	*30*	85,646	85,646	85,646
Reserves		314,045	349,284	393,473
Total equity		399,691	434,930	479,119

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	106,258	146,012	140,586
Right-of-use assets	*17*	3,572	3,472	3,372
Prepayments	*20*	2,677	271	1,862
Deferred tax assets	*29*	6,818	2,741	1,724
Investments in subsidiaries	*38*	66,918	66,918	66,918
		186,243	219,414	214,462
Current assets				
Inventories	*18*	46,248	58,144	38,606
Trade and bills receivables	*19*	127,213	99,556	158,260
Prepayments, deposits and other receivables	*20*	5,537	5,178	11,247
Amounts due from subsidiaries	*36(c)*	55,428	34,127	104,044
Bank balances and cash	*21*	72,113	80,505	29,774
		306,539	277,510	341,931
Current liabilities				
Trade and bills payables	*22*	23,156	29,551	36,366
Other payables and accruals	*23*	24,266	21,729	21,892
Contract liabilities	*24*	2,808	532	286
Amounts due to subsidiaries	*36(c)*	10,000	151	–
Bank borrowings	*26*	53,800	24,800	54,900
Deferred income	*28*	1,382	1,791	909
		115,412	78,554	114,353
Net current assets		191,127	198,956	227,578
Total assets less current liabilities		377,370	418,370	442,040

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank borrowings	*26*	10,000	–	–
Deferred income	*28*	2,381	5,090	8,181
		12,381	5,090	8,181
Net assets		364,989	413,280	433,859
Capital and reserves				
Share capital	*30*	85,646	85,646	85,646
Reserves	*31*	279,343	327,634	348,213
Total equity		364,989	413,280	433,859

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000 (Note 30)*	Capital reserve *RMB'000 (Note 31(a))*	Statutory reserve *RMB'000 (Note 31(b))*	Translation reserve *RMB'000*	Safety production fund *RMB'000 (Note 31(c))*	(Accumulated losses) Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2022	85,646	250,543	4,268	3,352	14,540	(71,640)	286,709
Profit for the year	–	–	–	–	–	122,021	122,021
Exchange differences on translation of foreign operations	–	–	–	(474)	–	–	(474)
Total comprehensive income for the year	–	–	–	(474)	–	122,021	121,547
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(8,565)	(8,565)
Appropriation to statutory reserve	–	–	133	–	–	(133)	–
Net movement of safety production fund	–	–	–	–	5,773	(5,773)	–
At 31 December 2022 and 1 January 2023	85,646	250,543	4,401	2,878	20,313	35,910	399,691
Profit for the year	–	–	–	–	–	44,662	44,662
Exchange differences on translation of foreign operations	–	–	–	1,711	–	–	1,711
Total comprehensive income for the year	–	–	–	1,711	–	44,662	46,373
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(11,134)	(11,134)
Appropriation to statutory reserve	–	–	6,016	–	–	(6,016)	–
Net movement of safety production fund	–	–	–	–	439	(439)	–
At 31 December 2023 and 1 January 2024	85,646	250,543	10,417	4,589	20,752	62,983	434,930
Profit for the year	–	–	–	–	–	43,406	43,406
Exchange differences on translation of foreign operations	–	–	–	783	–	–	783
Total comprehensive income for the year	–	–	–	783	–	43,406	44,189
Appropriation to statutory reserve	–	–	2,058	–	–	(2,058)	–
Net movement of safety production fund	–	–	–	–	845	(845)	–
At 31 December 2024	85,646	250,543	12,475	5,372	21,597	103,486	479,119

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2022 RMB'000	2023 RMB'000	2024 RMB'000
OPERATING ACTIVITIES				
Profit before taxation		149,316	48,382	48,734
Adjustments for:				
Interest income on bank deposits	*7*	(391)	(5,302)	(3,603)
Finance costs	*9*	4,957	3,470	2,786
Depreciation of property, plant and equipment	*16*	36,679	33,449	37,794
Depreciation of right-of-use assets	*17*	1,075	1,236	1,035
Provision for write-down of inventories	*10*	12,411	6,142	3,961
Impairment losses under expected credit loss model, net of reversal	*8*	1,126	867	5,633
Impairment loss of property, plant and equipment	*16*	5,544	264	–
Realised gain on financial assets at fair value through profit or loss	*7*	(1,209)	(285)	–
Net loss (gain) on write off/disposal of property, plant and equipment	*7*	12,719	(34)	304
Release of assets-related government subsidies	*7*	(1,382)	(1,382)	(1,791)
Operating cash flows before movements in working capital		220,845	86,807	94,853

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Decrease (increase) in inventories	17,760	(14,106)	2,021
Increase in trade and bills receivables	(1,468)	(15,936)	(112,542)
(Increase) decrease in prepayments, deposit and other receivables	1,558	3,300	(5,583)
(Increase) decrease in pledged/restricted bank deposits	4,137	(1,727)	(2,543)
Increase (decrease) in trade and bills payables	(24,862)	(3,091)	26,124
Increase (decrease) in other payables and accruals	(10,094)	(8,127)	5,049
Increase (decrease) in contract liabilities	(6,161)	(6,937)	4,893
Cash generated from operations	201,715	40,183	12,272
Income tax paid	(9,318)	(13,983)	(7,972)
Net cash generated from operating activities	**192,397**	**26,200**	**4,300**
INVESTING ACTIVITIES			
Interest received	391	5,302	3,603
Assets-related government subsidies received	–	4,500	4,000
Purchase of property, plant and equipment	(46,797)	(68,421)	(79,718)
Proceeds from disposal/write off of property, plant and equipment	787	1,379	34
Purchase of financial assets at fair value through profit or loss	(236,082)	(105,000)	–
Proceeds from disposal of financial assets at fair value through profit or loss	237,291	105,285	–
Settlement of consideration receivables from disposal of a subsidiary	1,078	–	–
Net cash used in investing activities	**(43,332)**	**(56,955)**	**(72,081)**

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
FINANCING ACTIVITIES				
Interest paid		(5,653)	(3,461)	(2,743)
New bank borrowings raised		131,700	93,800	98,600
Repayments of bank borrowings		(150,500)	(121,300)	(83,500)
Repayments of other borrowings		(17,600)	(1,750)	–
Repayments of lease liabilities		(937)	(817)	(745)
Payments of deferred **[REDACTED]** costs		[REDACTED]	[REDACTED]	[REDACTED]
Dividend paid		(8,565)	(11,134)	–
Net cash generated from (used in) financing activities	*37*	**(51,555)**	**(44,662)**	**7,288**
Net (decrease) increase in cash and cash equivalents		**97,510**	**(75,417)**	**(60,493)**
Cash and cash equivalents at beginning of the year		**82,501**	**178,246**	**105,194**
Effects of foreign exchange rate changes		**(1,765)**	**2,365**	**1,428**
Cash and cash equivalents at end of the year	*21*	**178,246**	**105,194**	**46,129**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

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

The Company was converted from a limited liability company into a joint stock limited liability company and changed its registered name from Ji'an Newtrend Technology Co., Ltd. to Newtrend Technology Co., Ltd. on 4 December 2017. On 24 February 2025, the Company was renamed as Newtrend Group Holding Co., Ltd.* (新琪安集團股份有限公司).

During the Track Record Period, the Company and its subsidiaries (together, "**the Group**") are principally engaged in the manufacturing and sale of food-grade glycine, industrial-grade glycine and sucralose.

The statutory financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 were audited by Pan-China Certified Public Accountants LLP.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information have been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

For the purposes of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all the HKFRSs which are effective for the Group's financial period beginning on 1 January 2024, throughout the Track Record Period.

3. APPLICATION OF AMENDMENTS TO HKFRSs

The Group has not early applied the following new standards, amendments and interpretations to HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRS Accounting Standards Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

[1] Effective for annual periods beginning on or after 1 January 2025.
[2] Effective for annual periods beginning on or after 1 January 2026.
[3] Effective for annual periods beginning on or after 1 January 2027.
[4] Effective for annual periods beginning on or after a date to be determined.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

Basis of consolidation

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

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

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

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

Safety production fund

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

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

Lease

Definition of a lease

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

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Lease liabilities

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

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

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

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

Research and development expenses

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

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

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

Dividends

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

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

Foreign currencies

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

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

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

Employee benefits

Pension schemes

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

For employees in Thailand

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

For employees in Indonesia

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

Housing benefits, medical insurances and other social insurances

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

Taxation

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

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

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

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

Inventories

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

Provisions, contingent assets/liabilities and onerous contracts

Provisions and contingent liabilities

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

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

Onerous contracts

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

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

Contingent assets

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

Financial instruments

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

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

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

Financial assets

Fair value measurement

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

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

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

Amortised cost and interest income

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

Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of loss allowance

The measurement of loss allowance is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of

the probability of default and loss given default is based on historical data and forward-looking information. Estimation of loss allowance reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

Related parties

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

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

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

Income taxes

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

Deferred tax assets

As at 31 December 2022, 2023 and 2024, the tax losses of RMB63,231,000, RMB56,895,000 and RMB62,958,000, have been recognised as deferred tax assets in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of RMB16,476,000, RMB16,590,000 and RMB2,127,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Impairment of trade receivables

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

As at 31 December 2022, 2023 and 2024, the carrying amounts of trade receivables were RMB97,319,000, RMB112,984,000 and RMB220,164,000 (net of allowance of RMB5,576,000, RMB6,441,000 and RMB12,103,000, respectively).

Net realisable value of inventories

As at 31 December 2022, 2023 and 2024, the carrying amounts of the Group's inventories were RMB90,123,000, RMB98,087,000 and RMB91,903,000, respectively. During the years ended 31 December 2022, 2023 and 2024, a provision for write-down of inventories of RMB12,411,000, RMB6,142,000 and RMB3,961,000 was recognised in profit or loss, respectively.

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

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

6. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of sucralose products	377,424	228,286	237,471
Sales of food-grade glycine products	308,931	179,418	239,005
Sales of industrial-grade glycine products	58,098	27,233	66,371
Sales of other products	17,046	12,001	26,020
	761,499	446,938	568,867

All revenue was recognised at a point in time. Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the unsatisfied performance obligation as at 31 December 2022, 2023, and 2024 amounting to RMB7,729,000, RMB792,000 and RMB5,685,000, respectively, would be recognised as revenue in the next year.

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

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

Geographical information

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

	Revenue from external customers Year ended 31 December			Carrying amounts of non-current assets As at 31 December		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	131,945	67,253	116,445	248,896	276,230	260,118
Asia (excluding Mainland China)	97,912	69,988	55,149	71,982	81,937	140,598
Europe	244,599	163,297	119,182	2	–	–
North America	70,672	82,133	233,786	–	–	–
South America	102,038	37,687	28,509	–	–	–
Africa	95,433	20,445	8,910	–	–	–
Oceania	18,900	6,135	6,886	–	–	–
	761,499	446,938	568,867	320,880	358,167	400,716

Revenue from major customers

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

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	N/A*	N/A*	98,604
Customer B	N/A*	44,913	80,363
Customer C	125,255	73,857	64,332
Customer D	174,548	70,941	N/A*

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

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank deposits	391	5,302	3,603
Release of assets-related government subsidies *(Note 28)*	1,382	1,382	1,791
Income-related government grants *(Note i)*	6,627	8,778	4,699
Sundry income	176	422	470
Sundry expenses	(874)	(343)	(730)
Realised gain on financial assets at fair value through profit or loss *(Note ii)*	1,209	285	–
(Loss) gain on write off/disposal of property, plant and equipment	(12,719)	34	(304)
Impairment loss on property, plant and equipment	(5,544)	(264)	–
Foreign exchange gains, net	24,063	8,188	8,152
	14,711	23,784	17,681

Notes:

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

(ii) Financial assets at fair value through profit or loss primarily comprised wealth management products.

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses recognised (reversed) on:			
– trade receivables	1,112	800	5,696
– deposits and other receivables	14	67	(63)
	1,126	867	5,633

Details of impairment assessment are set out in Note 40.

9. FINANCE COSTS

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interests on:			
– bank borrowings	4,673	3,413	2,753
– other borrowings	260	–	–
– lease liabilities	24	57	33
	4,957	3,470	2,786

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Provision for write-down of inventories	12,411	6,142	3,961
Cost of inventories recognised as expenses *(Note i)*	566,640	367,039	466,967
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Depreciation of property, plant and equipment *(Note 16)*	36,679	33,449	37,794
Depreciation of right-of-use assets *(Note 17)*	1,075	1,236	1,035
Directors' emolument: *(Note 12)*			
– Salaries and allowance	1,745	1,985	1,789
– Retirement benefits scheme	63	62	63
Other staff costs:			
– Salaries and allowance	45,242	45,742	42,698
– Retirement benefits scheme	6,743	6,235	6,929

Note:

(i) Cost of inventories include staff costs, depreciation and provision for write-down of inventories of RMB30,045,000, RMB33,306,000 and RMB12,411,000 for the year ended 31 December 2022, RMB33,433,000, RMB32,565,000 and RMB6,142,000 for the year ended 31 December 2023, RMB30,244,000, RMB32,983,000 and RMB3,961,000 for the year ended 31 December 2024, which amounts are also included in the respective total amounts disclosed separately.

11. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax:			
– PRC enterprise income tax	20,270	2,657	1
– Overseas income tax	1,975	776	8,609
	22,245	3,433	8,610
Deferred taxation *(Note 29)*	5,050	287	(3,282)
	27,295	3,720	5,328

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

The Company was qualified as a "High and New Technology Enterprise" ("**HNTE**") in November 2018 and renewed the qualification in November 2021 and October 2024, hence it enjoys a preferential income tax rate of 15% from 2018 to 2024.

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

During the year ended 31 December 2022, the Company as a High and New Technology Enterprise is allowed to deduct the full amount of equipment newly purchased during the period from 1 October 2022 to 31 December 2022 from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax according to Announcement 2022 No.28 issued by the Ministry of Finance of the PRC, the State Administration of Taxation of the PRC and the Ministry of Science and Technology of the PRC.

A subsidiary of the Group that established in 2022 is eligible as a "Small Low-profit Enterprise" and subject to the relevant preferential tax treatments. During the years ended 31 December 2022 and 2024, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to EIT calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%. No provision for EIT has been made as the subsidiary did not generate any assessable profits during the year ended 31 December 2023.

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

The Group's entity incorporated in Indonesia is subject to the corporate income tax at a rate of 22% for the Track Record Period.

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

The Group's entity incorporated in the Netherlands is subject to the corporate income tax at a rate of 15% for the year ended 31 December 2022 for taxable income that does not exceed the amount of EUR395,000, respectively, and the tax rate of 25.8%, respectively, should apply to the taxable income exceeds the amount of EUR395,000. For the years ended 31 December 2023 and 2024, the corporate income tax is 19% for taxable income that does not exceed the amount of EUR200,000, and the tax rate of 25.8% should apply to the taxable income exceeds the amount of EUR200,000.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	149,316	48,382	48,734
Tax charged at statutory tax rates applicable to the jurisdictions concerned	32,252	7,470	9,733
Tax effect of expenses not deductible for tax purpose	964	379	273
Tax effect of Super Deduction of qualified research and development expenditure	(2,094)	(2,476)	(2,255)
Tax effect of deduction on equipment newly purchased	(2,268)	–	–
Tax effect of income not taxable for tax purpose	(224)	(30)	(566)
Tax losses and temporary differences for which no deferred income tax asset was recognised	(1,333)	(964)	(193)
Utilisation of tax losses previously not recognised	–	(20)	(1,942)
Derecognition of deferred tax assets previously recognised	–	52	278
Income tax at concessionary rate	(2)	–	–
Effect on opening deferred tax assets resulting from change in applicable tax rate	–	(691)	–
Income tax expense	27,295	3,720	5,328

12. DIRECTORS' EMOLUMENT

Directors' emoluments

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

	Date of appointment as a director of the Company	Salaries, bonuses and allowances	Retirement benefit scheme contribution	Total
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2022				
Executive Directors:				
Mr. Wang Xiaoqiang	8 September 2006	506	–	506
Ms. Chen Lijun	25 August 2007	388	–	388
Mr. Wang Hao	12 September 2016	351	11	362
Mr. Wu Dingfeng	16 November 2017	192	40	232
Ms. Zuo Yue	21 June 2024	243	12	255
Non-executive Director:				
Mr. Xiao Fan	4 November 2021	–	–	–
Independent non-executive Directors:				
Dr. Li Ling	21 June 2024	50	–	50
Dr. Song Jingjin	21 June 2024	15	–	15
Mr. Lo Kwing Yu	21 June 2024	–	–	–
		1,745	63	1,808

	Date of appointment as a director of the Company	Salaries, bonuses and allowances	Retirement benefit scheme contribution	Total
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2023				
Executive Directors:				
Mr. Wang Xiaoqiang	8 September 2006	517	–	517
Ms. Chen Lijun	25 August 2007	459	–	459
Mr. Wang Hao	12 September 2016	459	11	470
Mr. Wu Dingfeng	16 November 2017	278	39	317
Ms. Zuo Yue	21 June 2024	172	12	184
Non-executive Director:				
Mr. Xiao Fan	4 November 2021	–	–	–
Independent non-executive Directors:				
Dr. Li Ling	21 June 2024	50	–	50
Dr. Song Jingjin	21 June 2024	50	–	50
Mr. Lo Kwing Yu	21 June 2024	–	–	–
		1,985	62	2,047

	Date of appointment as a director of the Company	Salaries, bonuses and allowances	Retirement benefit scheme contribution	Total
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2024				
Executive Directors:				
Mr. Wang Xiaoqiang	8 September 2006	354	–	354
Ms. Chen Lijun	25 August 2007	306	–	306
Mr. Wang Hao	12 September 2016	478	11	489
Mr. Wu Dingfeng	16 November 2017	300	40	340
Ms. Zuo Yue	21 June 2024	181	12	193
Non-executive Director:				
Mr. Xiao Fan	4 November 2021	–	–	–
Independent non-executive Directors:				
Dr. Li Ling	21 June 2024	50	–	50
Dr. Song Jingjin	21 June 2024	50	–	50
Mr. Lo Kwing Yu	21 June 2024	70	–	70
		1,789	63	1,852

(i) The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period;

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

(iii) The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company during the Track Record Period.

13. FIVE HIGHEST PAID INDIVIDUALS

Three of the five individuals with the highest emoluments in the Group were directors of the Company for the Track Record Period, whose emoluments is included in the disclosure above. The emoluments of the remaining individuals are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits	477	650	1,020
Discretionary bonus	123	130	–
Retirement benefits scheme	82	16	17
	682	796	1,037

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

	Number of employees Year ended 31 December		
	2022	**2023**	**2024**
Nil to HK$1,000,000	2	2	2

14. DIVIDENDS

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution:			
2022 Interim — RMB0.1 per share	8,565	–	–
2022 Final — RMB0.13 per share	–	11,134	–
	8,565	11,134	–

Pursuant to a resolution passed in the shareholders' meeting of the Company on 16 November 2022, interim dividends of RMB8,565,000 were declared to the Company's shareholders, which were fully paid on 25 November 2022. And pursuant to a resolution passed in the shareholders' meeting of the Company on 30 June 2023, final dividend of RMB11,134,000 in respect of the year ended 31 December 2022 were declared to the Company's shareholders, which were fully paid on 24 August 2023. No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2024.

15. EARNINGS PER SHARE

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

	Year ended 31 December		
	2022	**2023**	**2024**
Profit attributable to owners of the Company *(RMB'000)*	122,021	44,662	43,406
Number of ordinary shares in issue *(thousand shares)*	85,646	85,646	85,646
Basic earnings per share for profit attributable to owners of the Company *(in RMB)*	1.42	0.52	0.51

No diluted earnings per share was presented for the Track Record Period as the Company did not have any dilutive potential ordinary shares.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land	Buildings and structures	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2022	19,174	162,107	312,034	6,342	4,317	22,123	526,097
Additions	–	1,311	1,437	706	633	31,893	35,980
Transfer in/(out)	–	166	4,961	–	–	(5,127)	–
Write-off/disposal	–	(635)	(34,785)	(92)	(27)	(16,045)	(51,584)
Exchange realignment	311	802	341	45	49	(8)	1,540
At 31 December 2022 and 1 January 2023	19,485	163,751	283,988	7,001	4,972	32,836	512,033
Additions	–	1,311	5,813	822	377	65,711	74,034
Transfer in/(out)	–	3,108	44,271	–	–	(47,379)	–
Write-off/disposal	–	–	(3,813)	(380)	(23)	–	(4,216)
Exchange realignment	656	1,204	1,323	32	45	253	3,513
At 31 December 2023 and 1 January 2024	20,141	169,374	331,582	7,475	5,371	51,421	585,364
Additions	–	2,456	1,109	728	825	74,975	80,093
Transfer in/(out)	–	20,006	34,941	792	–	(55,739)	–
Write-off/disposal	–	(126)	(1,134)	(149)	(204)	–	(1,613)
Exchange realignment	(34)	132	(251)	23	19	509	398
At 31 December 2024	20,107	191,842	366,247	8,869	6,011	71,166	664,242
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	–	47,072	132,421	5,169	3,781	16,045	204,488
Charge for the year	–	8,457	27,464	388	370	–	36,679
Impairment loss recognised in profit or loss	–	215	5,329	–	–	–	5,544
Eliminated on write-off/disposal	–	(357)	(21,574)	(87)	(15)	(16,045)	(38,078)
Exchange realignment	–	329	346	45	49	–	769

	Freehold land	Buildings and structures	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 and 1 January 2023	–	55,716	143,986	5,515	4,185	–	209,402
Charge for the year	–	9,047	23,675	471	256	–	33,449
Impairment loss recognised in profit or loss	–	–	264	–	–	–	264
Eliminated on write-off/disposal	–	–	(2,548)	(317)	(6)	–	(2,871)
Exchange realignment	–	293	500	30	35	–	858
At 31 December 2023 and 1 January 2024	–	65,056	165,877	5,699	4,470	–	241,102
Charge for the year	–	8,532	28,319	714	229	–	37,794
Eliminated on write-off/disposal	–	(86)	(862)	(133)	(193)	–	(1,274)
Exchange realignment	–	163	25	20	23	–	231
At 31 December 2024	–	73,665	193,359	6,300	4,529	–	277,853
CARRYING AMOUNTS							
At 31 December 2022	19,485	108,035	140,002	1,486	787	32,836	302,631
At 31 December 2023	20,141	104,318	165,705	1,776	901	51,421	344,262
At 31 December 2024	20,107	118,177	172,888	2,569	1,482	71,166	386,389

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

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

The Group has pledged buildings and structure and machinery with carrying amount of approximately RMB23,495,000, RMB23,617,000 and RMB22,440,000 as at 31 December 2022, 2023 and 2024, respectively, to secure bank borrowings granted to the Group.

As at 31 December 2022, 2023 and 2024, the Group was still in the process of applying for the ownership certificates for buildings and structures with a total carrying amount of RMB37,118,000, RMB28,058,000 and RMB25,435,000, respectively.

The Company

	Buildings and structures *RMB'000*	Machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2022	47,885	160,636	2,766	544	19,407	231,238
Additions	–	1,148	549	610	28,433	30,740
Write-off/disposal	(635)	(32,978)	(92)	–	(16,045)	(49,750)
Transfer in/(out)	–	633	–	–	(633)	–
At 31 December 2022 and 1 January 2023	47,250	129,439	3,223	1,154	31,162	212,228
Additions	–	3,698	301	–	48,990	52,989
Write-off/disposal	–	(3,603)	(59)	–	–	(3,662)
Transfer in/(out)	3,108	42,597	–	–	(45,705)	–
At 31 December 2023 and 1 January 2024	50,358	172,131	3,465	1,154	34,447	261,555
Additions	41	584	448	48	8,554	9,675
Transfer in/(out)	16,621	16,088	792	–	(33,501)	–
Write-off/disposal	–	(719)	(100)	(100)	–	(919)
At 31 December 2024	67,020	188,084	4,605	1,102	9,500	270,311
DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	19,159	84,502	2,351	514	16,045	122,571
Charge for the year	2,339	13,356	127	43	–	15,865
Impairment loss recognised in profit or loss	–	4,851	–	–	–	4,851
Eliminated on write-off/disposal	(357)	(20,828)	(87)	–	(16,045)	(37,317)
At 31 December 2022 and 1 January 2023	21,141	81,881	2,391	557	–	105,970
Charge for the year	2,038	9,491	147	116	–	11,792
Impairment loss recognised in profit or loss	–	263	–	–	–	263
Eliminated on write-off/disposal	–	(2,447)	(35)	–	–	(2,482)
At 31 December 2023 and 1 January 2024	23,179	89,188	2,503	673	–	115,543
Charge for the year	2,041	12,550	272	116	–	14,979
Eliminated on write-off/disposal	–	(614)	(88)	(95)	–	(797)
At 31 December 2024	25,220	101,124	2,687	694	–	129,725
CARRYING AMOUNTS						
At 31 December 2022	26,109	47,558	832	597	31,162	106,258
At 31 December 2023	27,179	82,943	962	481	34,447	146,012
At 31 December 2024	41,800	86,960	1,918	408	9,500	140,586

17. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Lease properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	13,197	727	13,924
Additions	–	1,120	1,120
Depreciation charged during the year	(348)	(727)	(1,075)
At 31 December 2022 and 1 January 2023	12,849	1,120	13,969
Additions	–	667	667
Depreciation charged during the year	(348)	(888)	(1,236)
At 31 December 2023 and 1 January 2024	12,501	899	13,400
Additions	–	100	100
Depreciation charged during the year	(347)	(688)	(1,035)
At 31 December 2024	12,154	311	12,465

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Depreciation on right-of-use assets	1,075	1,236	1,035
Interest expenses on lease liabilities (included in finance costs)	24	57	33
Expenses relating to short-term leases or leases to low value assets (included in administrative expenses)	395	90	85
Total cash outflow for leases	1,331	907	830

For the years ended 31 December 2022, 2023 and 2024, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group has pledged leasehold land with carrying amount of approximately RMB8,039,000, RMB5,679,000 and RMB7,563,000 to secure bank borrowings granted to the Group as at 31 December 2022, 2023 and 2024, respectively.

The Company

	Leasehold lands
	RMB'000
At 1 January 2022	3,672
Depreciation charged during the year	(100)
At 31 December 2022 and 1 January 2023	3,572
Depreciation charged during the year	(100)
At 31 December 2023 and 1 January 2024	3,472
Depreciation charged during the year	(100)
At 31 December 2024	3,372

18. INVENTORIES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	19,949	19,908	19,480
Work in progress	27,348	29,192	23,123
Finished goods	43,806	48,433	42,012
Goods in transit	12,382	8,256	12,518
	103,485	105,789	97,133
Less: Provision for write-down	(13,362)	(7,702)	(5,230)
	90,123	98,087	91,903

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

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	2,204	13,362	7,702
Provided for the year	12,411	6,142	3,961
Write-off	(1,253)	(11,802)	(6,433)
At the end of the year	13,362	7,702	5,230

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	13,094	4,623	6,964
Work in progress	15,946	14,024	14,890
Finished goods	10,948	36,390	10,953
Goods in transit	6,799	3,902	6,702
	46,787	58,939	39,509
Less: Provision for write-down	(539)	(795)	(903)
	46,248	58,144	38,606

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables — contract with customers	102,895	119,425	232,267
Less: Loss allowance	(5,576)	(6,441)	(12,103)
	97,319	112,984	220,164
Bills receivables	5,217	5,530	4,449
	102,536	118,514	224,613

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables — contract with customers	126,588	100,268	160,146
Less: Loss allowance	(4,492)	(3,109)	(4,121)
	122,096	97,159	156,025
Bills receivables	5,117	2,397	2,235
	127,213	99,556	158,260

The normal credit term to the customers is generally up to 180 days. As at 31 December 2022, 2023 and 2024, the amount of debtors included in the Group's trade receivables balances that are past due are approximately 8.3%, 7.6% and 16.1% respectively, and the Group is satisfied with the subsequent settlements and the credit quality of these customers had not been deteriorated.

The Group does not hold any collateral over these balances.

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

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	21,858	51,269	54,356
31 to 60 days	20,591	20,587	55,750
61 to 90 days	32,731	12,398	39,232
91 to 180 days	16,398	22,453	43,728
181 to 365 days	5,676	6,081	27,055
More than 1 year	65	196	43
	97,319	112,984	220,164

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	16,016	26,369	24,165
31 to 60 days	29,154	9,144	43,916
61 to 90 days	31,820	7,578	30,144
91 to 180 days	31,203	24,827	19,995
181 to 365 days	13,903	29,241	24,515
More than 1 year	–	–	13,290
	122,096	97,159	156,025

The movement in the allowance for trade receivables of the Group during the Track Record Period are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	4,415	5,576	6,441
Allowance for the year, net	1,112	800	5,696
Exchange realignment	49	65	(34)
Balance at end of the year	5,576	6,441	12,103

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

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

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB5,786,000, RMB25,916,000 and RMB43,368,000 at 31 December 2022, 2023 and 2024, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have the right of recourse against the Group if the Mainland China banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes accepted by large and reputable banks with amounts of RMB946,000, RMB21,455,000 and RMB38,936,000 at 31 December 2022, 2023 and 2024, respectively (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes.

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

For the rest of the Endorsed Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Notes. As at 31 December 2022, 2023 and 2024, the aggregate carrying amounts of the trade payables settled by such Endorsed Notes to which the suppliers have recourse were RMB4,840,000, RMB4,461,000 and RMB4,432,000, respectively.

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

Details of impairment assessment of trade and bills receivables are set out in Note 40.

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Amounts of Endorsed Notes	5,786	25,916	43,368
Less: the amount of derecognition upon the endorsement	(946)	(21,455)	(38,936)
Endorsed bills receivables that have not been derecognised and not yet due *(Note 23)*	4,840	4,461	4,432

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Amounts of Endorsed Notes	5,686	2,898	6,087
Less: the amount of derecognition upon the endorsement	(946)	(937)	(3,869)
Endorsed bills receivables that have not been derecognised and not yet due *(Note 23)*	4,740	1,961	2,218

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for acquisition of property, plant and equipment	4,280	505	1,862
Prepayment for raw materials	9,601	2,539	6,338
Prepayment of expenses	1,772	1,418	1,763
Deferred **[REDACTED]** cost *(note)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deductible value-added tax	7,095	10,898	10,240
Other receivables	349	677	1,395
Deposits	243	346	206
	23,340	16,383	28,302
Less: Loss allowance	(122)	(191)	(124)
	23,218	16,192	28,178
Analysed for reporting purposes as:			
Current assets	18,938	15,687	26,316
Non-current assets	4,280	505	1,862
	23,218	16,192	28,178

The movement in the allowance for deposits and other receivables during the Track Record Period are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	106	122	191
Allowance for the year, net	14	67	(63)
Exchange realignment	2	2	(4)
Balance at end of the year	122	191	124

Details of impairment assessment of deposits and other receivables are set out in Note 40.

Deferred **[REDACTED]** costs represent the qualified portion of **[REDACTED]** costs incurred up to 31 December 2024, which will be debited to equity of the Company as share **[REDACTED]** costs in respect of the **[REDACTED]** upon **[REDACTED]**.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for acquisition of property, plant and equipment	2,677	271	1,862
Prepayment for raw materials	81	16	1,871
Prepayment of expenses	1,484	996	282
Deferred **[REDACTED]** cost *(note)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deductible value-added tax	3,881	4,011	2,594
Other receivables	–	100	10
Deposits	110	74	–
	8,233	5,468	13,117
Less: Loss allowance	(19)	(19)	(8)
	8,214	5,449	13,109
Analysed for reporting purposes as:			
Current assets	5,537	5,178	11,247
Non-current assets	2,677	271	1,862
	8,214	5,449	13,109

Note:

Deferred **[REDACTED]** costs represent the qualified portion of **[REDACTED]** costs incurred up to 31 December 2024, which will be debited to equity of the Company as share **[REDACTED]** costs in respect of the **[REDACTED]**.

21. BANK BALANCES AND CASH

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank balances and cash	179,316	107,991	51,469
Less: Pledged bank deposits	(1,070)	(2,797)	(5,340)
Cash and cash equivalents	178,246	105,194	46,129

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

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
RMB	85,648	29,440	11,094
USD	86,118	73,595	36,060
EUR	6,332	3,548	3,759
THB	1,021	1,257	393
IDR	194	150	142
HKD	3	1	21
	179,316	107,991	51,469

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank balances and cash	72,113	80,505	29,774
Less: Pledged bank deposits	(1,070)	(2,797)	(5,340)
Cash and cash equivalents	71,043	77,708	24,434

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
RMB	15,599	17,591	6,771
USD	56,514	62,914	23,003
	72,113	80,505	29,774

22. TRADE AND BILL PAYABLES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	70,227	60,893	78,486
Bills payables	2,650	9,323	17,799
	72,877	70,216	96,285

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	20,506	20,228	18,567
Bills payables	2,650	9,323	17,799
	23,156	29,551	36,366

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

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

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	24,964	21,805	34,281
31 to 60 days	6,749	10,320	12,808
61 to 90 days	9,106	5,886	8,171
91 to 180 days	7,097	7,739	10,957
181 to 365 days	7,877	7,924	3,324
More than 1 year	14,434	7,219	8,945
	70,227	60,893	78,486

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	12,955	9,216	11,711
31 to 60 days	3,630	6,667	3,537
61 to 90 days	1,187	1,706	279
91 to 180 days	423	1,007	1,809
181 to 365 days	295	209	252
More than 1 year	2,016	1,423	979
	20,506	20,228	18,567

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

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and wages payables	6,609	4,542	4,924
Payables for purchases of property, plant and equipment	21,209	27,035	26,530
Other tax payables	5,923	663	996
Interest payables	113	65	75
Other payables	5,292	4,872	9,721
Accrued **[REDACTED]** cost	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Endorsed bills receivables that have not been derecognised and not yet due *(Note 19)*	4,840	4,461	4,432
	43,986	41,638	48,852

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and wages payables	3,315	1,929	2,175
Payables for purchases of property, plant and equipment	13,045	16,209	10,368
Other tax payables	828	199	442
Interest payables	85	27	54
Other payables	2,253	1,404	4,461
Accrued **[REDACTED]** cost	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Endorsed bills receivables that have not been derecognised and not yet due *(Note 19)*	4,740	1,961	2,218
	24,266	21,729	21,892

24. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	7,729	792	5,685

Contract liabilities represent advance from customers when the Group receives payments in advance of the sales of goods. Revenue recognised during the Track Record Period relates to carried-forward contract liabilities at the beginning of the year is RMB13,890,000, RMB7,729,000 and RMB792,000 for the years ended 31 December 2022, 2023 and 2024, respectively.

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	2,808	532	286

25. LEASE LIABILITIES

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	509	609	324
More than one year, but not exceeding two years	255	327	–
More than two years, but not more than five years	265	–	–
	1,029	936	324
Less: Amount due for settlement within 12 months shown under current liabilities	(509)	(609)	(324)
Amount due for settlement after 12 months shown under non-current liabilities	520	327	–

The weighted average incremental borrowing rate applied to lease liabilities was 4.30% per annum, 4.30% per annum and 4.30% per annum at 31 December 2022, 2023 and 2024, respectively.

26. BANK BORROWINGS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	87,100	59,600	74,700
Secured and guaranteed	38,800	19,800	24,900
Unsecured and guaranteed	48,300	39,800	10,000
Secured and unguaranteed	–	–	19,800
Unsecured and unguaranteed	–	–	20,000
	87,100	59,600	74,700
Fixed-rate borrowings	83,100	59,600	74,700
Floating-rate borrowing	4,000	–	–
	87,100	59,600	74,700
Carrying amount repayable:			
Within one year	77,100	59,600	74,700
More than one year, but not exceeding two years	10,000	–	–
	87,100	59,600	74,700
Less: Amount due for settlement within 12 months shown under current liabilities	(77,100)	(59,600)	(74,700)
Amount due for settlement after 12 months shown under non-current liabilities	10,000	–	–

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

	As at 31 December		
	2022	**2023**	**2024**
	%	%	%
Effective interest rate per annum:			
– Fixed-rate borrowings	3.85-5.20	3.45-3.85	2.80-3.50
– Floating-rate borrowing	5.22	N/A	N/A

Borrowings with carrying amounts of RMB83,100,000, RMB59,600,000 and RMB34,900,000 as at 31 December 2022, 2023 and 2024, were guaranteed by related parties (Note 36(d)).

The Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	63,800	24,800	54,900
Secured and guaranteed	29,000	10,000	24,900
Unsecured and guaranteed	34,800	14,800	20,000
Unsecured and unguaranteed	–	–	10,000
	63,800	24,800	54,900
Fixed-rate borrowings	63,800	24,800	54,900
Carrying amount repayable:			
Within one year	53,800	24,800	54,900
More than one year, but not exceeding two years	10,000	–	–
	63,800	24,800	54,900
Less: Amount due for settlement within 12 months shown under current liabilities	(53,800)	(24,800)	(54,900)
Amount due for settlement after 12 months shown under non-current liabilities	10,000	–	–

27. OTHER BORROWINGS

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other borrowings	97,400	95,650	95,650
Carrying amount repayable:			
On demand or within one year	97,400	95,650	95,650

As at 31 December 2022, 2023 and 2024, all of the Group's other borrowings are denominated in RMB.

The other borrowings of RMB97,400,000, RMB95,650,000 and RMB95,650,000 respectively as at 31 December 2022, 2023 and 2024 is unsecured, interest-free on principal amount. Further, the other borrowing may be subject to the overdue penalty. For further details, please refer to details of contingent liability which are set out in note 32.

28. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Assets-related government subsidies at the beginning of the year	5,145	3,763	6,881
Addition	–	4,500	4,000
Released to profit or loss	(1,382)	(1,382)	(1,791)
At the end of the year	3,763	6,881	9,090
Analysed for reporting purposes as:			
Current liabilities	1,382	1,791	909
Non-current liabilities	2,381	5,090	8,181
	3,763	6,881	9,090

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

The exhaust gas improvement project related to RMB4,500,000 of the government subsidies received was completed and verified in December 2023, relevant assets have been transferred from construction in progress to property, plant and equipment at the same time. The subsidies are amortised on a straight-line basis over the useful life of the relevant assets during the year ended 31 December 2024.

The development and application of seaweed dietary fibre project related to RMB4,000,000 of the government subsidies received in December 2024. Upon completion and verification in 2025, the relevant assets will be transferred from construction in progress to property, plant and equipment, and the respective subsidies will be amortised on a straight-line basis over the useful life of the relevant assets. No subsidies are charged to the consolidated statement of profit or loss during the year ended 31 December 2024.

29. DEFERRED TAX ASSETS/LIABILITIES

The Group

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	17,136	17,156	20,040
Deferred tax liabilities	(2,268)	(2,393)	(2,149)
	14,868	14,763	17,891

The following are deferred tax assets and liabilities recognised and movements thereon during the Track Record Period:

	Impairment losses under ECL	**Provision for write-down of inventories**	**Impairment loss on property, plant and, equipment**	**Unused tax losses**	**Unrealised profits**	**Accelerated tax depreciation**	**Deferred income**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	658	240	3,623	9,540	2,880	–	3,021	19,962
(Charged) credited to profit or loss	88	1,467	(1,616)	328	(592)	(2,268)	(2,457)	(5,050)
Exchange realignment	–	–	–	(44)	–	–	–	(44)
At 31 December 2022 and 1 January 2023	746	1,707	2,007	9,824	2,288	(2,268)	564	14,868
(Charged) credited to profit or loss	(47)	109	(46)	1,642	(2,414)	1	468	(287)
Exchange realignment	–	–	–	182	–	–	–	182
At 31 December 2023 and 1 January 2024	699	1,816	1,961	11,648	(126)	(2,267)	1,032	14,763
Credited (charged) to profit or loss	107	(776)	(26)	2,902	626	118	331	3,282
Exchange realignment	–	–	–	(154)	–	–	–	(154)
At 31 December 2024	806	1,040	1,935	14,396	500	(2,149)	1,363	17,891

As at 31 December 2022, 2023 and 2024, the Group has unused tax losses of approximately RMB79,707,000, RMB73,485,000 and RMB65,085,000, respectively, available for offset against future profits and deferred tax assets have been recognised in respect of approximately RMB63,231,000, RMB56,895,000 and RMB62,958,000, respectively, of such losses. As at 31 December 2022, 2023 and 2024, no deferred tax asset has been recognised in respect of the remaining approximately RMB16,476,000, RMB16,590,000 and RMB2,127,000, respectively, due to the unpredictability of future profit streams, which included in unrecognised tax losses of approximately RMB15,498,000, RMB15,949,000 and RMB2,127,000, respectively, will expire within five years. Other losses may be carried forward indefinitely.

The Company

	Impairment losses under ECL	Provision for write-down of inventories	Impairment loss on property, plant and, equipment	Unused tax losses	Accelerated tax depreciation	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	287	90	3,232	6,018	–	3,022	12,649
(Charged) credited to profit or loss	389	(9)	(1,854)	368	(2,268)	(2,457)	(5,831)
At 31 December 2022 and 1 January 2023	676	81	1,378	6,386	(2,268)	565	6,818
(Charged) credited to profit or loss	(207)	38	(47)	(4,330)	1	468	(4,077)
At 31 December 2023 and 1 January 2024	469	119	1,331	2,056	(2,267)	1,033	2,741
(Charged) credited to profit or loss	150	17	(25)	(1,608)	118	331	(1,017)
At 31 December 2024	619	136	1,306	448	(2,149)	1,364	1,724

30. SHARE CAPITAL

	Number of shares	Share capital
	'000	*RMB'000*
Ordinary share of RMB1 each		
Registered, issued and fully paid		
At 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	85,646	85,646

31. RESERVES

The Company

	Capital reserve *RMB'000 (Note a)*	Statutory reserve *RMB'000 (Note b)*	Safety production fund *RMB'000 (Note c)*	(Accumulated losses) Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2022	237,200	4,268	11,881	(26,868)	226,481
Profit for the year	–	–	–	61,427	61,427
Dividend recognised as distribution	–	–	–	(8,565)	(8,565)
Appropriation to statutory reserve	–	133	–	(133)	–
Net movement of safety production fund	–	–	2,911	(2,911)	–
At 31 December 2022 and 1 January 2023	237,200	4,401	14,792	22,950	279,343
Profit for the year	–	–	–	59,425	59,425
Dividend recognised as distribution	–	–	–	(11,134)	(11,134)
Appropriation to statutory reserve	–	6,016	–	(6,016)	–
Net movement of safety production fund	–	–	(741)	741	–
At 31 December 2023 and 1 January 2024	237,200	10,417	14,051	65,966	327,634
Profit for the year	–	–	–	20,579	20,579
Appropriation to statutory reserve	–	2,058	–	(2,058)	–
Net movement of safety production fund	–	–	(77)	77	–
At 31 December 2024	237,200	12,475	13,974	84,564	348,213

(a) Capital reserve

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

(b) Statutory reserve

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

(c) Safety production fund

According to the relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemicals products.

32. CONTINGENT ASSET, CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE CONTRACTS

Contingent asset and Contingent liabilities

Pursuant to an agreement (the "**Xizang Agreement**") entered into between Xizang Newtrend, a wholly owned subsidiary of the Company, the immediate holding Company of the Company, 西藏自治區藏青工業園管理委員會 (Xizang Autonomous Region Zangqing Industrial Park Management Committee*) (the "**Xizang Committee**") and Zang Qing Investment for the construction and development project in the Tibet Autonomous Region (the "**Xizang Project**"), Xizang Committee committed to provide subsidy for the natural gas expenses upon the operation of the boiler in the Project and 西藏藏青工業園投資股份有限公司 ("**Zang Qing Investment**") Zang Qing Investment assisted to provide funds to the Xizang Newtrend as borrowings, at 31 December 2022, 2023 and 2024, the balances were RMB97,400,000, RMB95,650,000 and RMB95,650,000 respectively. Newtrend Industrial, being one of our controlling shareholders, agreed to provide guarantee for Xizang Newtrend to repay the borrowing according to the agreement.

Xizang Newtrend has outstanding principal amount of borrowings from Zang Qing Investment amounted to RMB97,400,000, RMB95,650,000 and RMB95,650,000 as at 31 December 2022, 2023 and 2024 respectively, the amount was defaulted in repayment in 2018 in accordance with the repayment schedule and is unsecured and interest-free on the principal amount. Pursuant to the agreement, RMB40,000,000 would be repaid within the first year after the Xizang Project put into operation; and RMB60,000,000 would be repaid within the second year after the Xizang Project put into operation.

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

Xizang Committee committed to grant a subsidy as monthly financial assistance to the actual natural gas expense which exceed the base price stated in the agreement to Xizang Newtrend. Despite Xizang Newtrend has met the requirement with respect to the subsidy for the natural gas expenses on the operation of the boiler to the Xizang Project, the Group has not received any subsidy from the Xizang Committee as at the Latest Practicable Date. According to HKAS 20 Government Grants, government subsidy shall not be recognised until there is reasonable assurance that (i) the entity will comply with the conditions attaching to them; and (ii) the grants will be received. Therefore, the Group has not recognised any subsidy of the operation of the boiler in the Xizang Project as income in the consolidated financial statements at the Track Record Period. The directors of the Company considered it is possible that there will be an inflow of economic benefits regarding the aggregate unrecovered subsidy and interests accrued of amount RMB52.4 million, RMB62.9 million and RMB81.8 million at 31 December 2022, 2023 and 2024 respectively.

The management of the Company also closely communicate with Zang Qing Investment about the repayment progress of the borrowings and Xizang Committee about the unrecovered subsidy. The Group has not received any notice for the demand of the repayment of the overdue penalty from Zang Qing Investment. The directors of the Company considered the aggregate penalty of borrowings of amount RMB13.8 million, RMB17.3 million and RMB20.5 million at 31 December 2022, 2023 and 2024 respectively. With reference to the legal opinion, the PRC lawyer is of the view that the risk is remote for penalty to be imposed to Xizang Newtrend. Accordingly, the directors considered no provision in respect of the overdue penalty is necessary as it is unlikely that an outflow of economic benefits regarding overdue penalty incurred from the borrowing will be required.

For further details of the latest development of the contingent assets and liabilities, please refer to events after the Track Record Period which are set out in note 41.

Guarantees provided to the Redemption liability of Mr. Wang and Shenzhen Newtrend Industrial Development Co., Ltd ("Newtrend Industrial")

The Company provided financial guarantee (the "**Financial Guarantee**") to the redemption liability of Mr. Wang and Newtrend Industrial (the "**Redemption Liability**") to one of the shareholders, Pingtan Xinghang Longteng Equity Investment Partnership (Limited Partnership) ("**Pingtan Xinghang Investment**") in 2017. Pingtan Xinghang Investment was dissolved and shares of the Company held by Pingtan Xinghang Investment were distributed to Fujian Xingzheng Strategic Venture Capital Enterprise (Limited Partnership), Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership) and Pingtan Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership) (collectively referred to as the "**Xingzheng Shareholders**") in 2020.

During 2018 to 2021, there had been discussions between the parties on the Redemption Liability and, in 2021 the Company, Mr. Wang, Newtrend Industrial and Xingzheng Shareholders entered into an agreement to reschedule the repayment terms of the Redemption Liability. Pursuant to this agreement, in addition to the Financial Guarantee, the Redemption Liability is further secured by (i) properties (the "**Pledged Assets**") owned by Mr. Wang, and his spouse, namely Ms. Ding; and (ii) properties (the "**Additional Pledged Assets**") owned by Mr. Wang's son, namely Mr. Wang Hao, and a company controlled by Mr. Wang Hao. The directors of the Company considered that the loss allowances for financial guarantee contracts were insignificant at each of the Track Record Period ended after taken into account of the Pledged Assets and the Additional Pledged Assets, therefore no loss allowance was recognised in the profit or loss during the Track Record Period.

Pursuant to a supplemental agreement dated 27 June 2024 entered into among Mr. Wong, Newtrend Industrial, certain shareholders and our Company, the Redemption Liability will be automatically released upon [**REDACTED**].

33. COMMITMENTS

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	24,730	7,641	4,644

34. PLEDGE OF ASSETS

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	23,495	23,617	22,440
Right-of-use assets	8,039	5,679	7,563
Pledged bank deposit	1,070	2,797	5,340
	32,604	32,093	35,343

35. RETIREMENT BENEFIT PLANS

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

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

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

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

36. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

* *For identification only*

(b) Transactions with related parties

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into transactions with the following related parties:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of raw materials from Shenzhen Anjie	860	–	–
Lease payment to Mr. Wang	276	276	276
Interest expenses on lease liabilities to Mr. Wang	11	32	21

(c) Balances with related parties

The Group

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade nature			
Lease liabilities due to Mr. Wang	764	520	266
Trade nature			
Trade payables due to Shenzhen Anjie	385	–	–

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

The Company

As disclosed in the statements of financial positions, the Company had below outstanding balances with related parties at 31 December 2022, 2023 and 2024.

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from subsidiaries	36,752	38,090	77,725
Amounts due from subsidiaries	55,428	34,127	104,044
Trade payables to subsidiaries	(4,928)	(3,429)	(554)
Amounts due to subsidiaries	(10,000)	(151)	–

The Company's balances with related parties are unsecured, interest-free and repayable on demand.

(d) Guarantee from related parties

Bank borrowings

Certain related parties of the Group have provided guarantees in connection with interest-bearing bank borrowings up to RMB83,100,000, RMB59,600,000 and RMB34,900,000, respectively, as at each of the reporting periods.

As at 31 December 2022, certain of the Group's interest-bearing bank borrowings comprised:

(i) RMB39,000,000 guaranteed by Mr. Wang and Ms. Ding at interest rates ranging from 3.95% to 5% per annum.

(ii) RMB15,000,000 guaranteed by Mr. Wang, Ms. Ding and Newtrend Industrial at interest rate 4.35% per annum.

(iii) RMB9,800,000 guaranteed by Mr. Wang and Ms. He at interest rate of 3.85% per annum.

(iv) RMB9,800,000 guaranteed by Mr. Wang Xiaorui and Ms. He at interest rate 4.55% per annum.

(v) RMB9,500,000 guaranteed by Mr. Wang, Ms. Ding, Mr. Wang Xiaorui and Ms. He at interest rate 4.8% per annum.

As at 31 December 2023, certain of the Group's interest-bearing bank borrowings comprised:

(i) RMB34,800,000 guaranteed by Mr. Wang and Ms. Ding at interest rates ranging from 3.55% to 3.65% per annum.

(ii) RMB9,800,000 guaranteed by Mr. Wang and Ms. He at an interest rate of 3.45% per annum.

(iii) RMB15,000,000 guaranteed by Mr. Wang, Ms. Ding, Mr. Wang Xiaorui and Ms. He at interest rates ranging from 3.55% to 3.85% per annum.

As at 31 December 2024, certain of the Group's interest-bearing bank borrowings comprised:

(i) RMB34,900,000 guaranteed by Mr. Wang and Ms. Ding at interest rates ranging from 3.15% to 3.45% per annum.

The guarantees provided by Mr. Wang, Ms. Ding and Newtrend Industrial will be released upon **[REDACTED]**.

(e) Compensation of key management personnel

The remuneration of key management personnel of the Group during the Track Record Period was as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowance	2,070	2,378	3,114
Discretionary bonuses	606	769	-
Retirement benefits	179	175	191
	2,855	3,322	3,305

Key management represents the directors of the Company disclosed in Note 12 and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings *RMB'000*	**Interest payables** *RMB'000*	**Dividend payables** *RMB'000*	**Lease liabilities** *RMB'000*	**Accrued [REDACTED] cost** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	220,900	833	–	822	[REDACTED]	222,555
Financing cash flow *(Note)*	(36,400)	(5,653)	(8,565)	(937)	[REDACTED]	(51,555)
New lease	–	–	–	1,120	[REDACTED]	1,120
Finance cost recognised	–	4,933	–	24	[REDACTED]	4,957
Dividend declared	–	–	8,565	–	[REDACTED]	8,565
At 31 December 2022 and 1 January 2023	184,500	113	–	1,029	[REDACTED]	185,642
Financing cash flow *(Note)*	(29,250)	(3,461)	(11,134)	(817)	[REDACTED]	(44,662)
New lease	–	–	–	667	[REDACTED]	667
Finance cost recognised	–	3,413	–	57	[REDACTED]	3,470
Dividend declared	–	–	11,134	–	[REDACTED]	11,134
At 31 December 2023 and 1 January 2024	155,250	65	–	936	[REDACTED]	156,251
Financing cash flow *(Note)*	15,100	(2,743)	–	(745)	[REDACTED]	7,288
New lease	–	–	–	100	[REDACTED]	100
Finance cost recognised	–	2,753	–	33	[REDACTED]	2,786
Deferred **[REDACTED]** cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
At 31 December 2024	170,350	75	–	324	[REDACTED]	172,923

Note:

The cash flows represent new bank borrowings raised, the repayments of bank and other borrowings, interest paid, repayments of lease liabilities, payments of deferred **[REDACTED]** costs and dividend paid in the consolidated statements of cash flows.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name	Place and date of establishment/ incorporation	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
深圳市新琪安健康科技有限公司 Shenzhen Newtrend Health Technology Co., Ltd.* *(Note i)*	PRC, 18 February 2011	RMB30,000,000	100%	–	Sales of sucralose products
江西安晟食品配料有限公司 Jiangxi Ansun Food Ingredients Co., Ltd.* *(Note i)*	PRC, 5 December 2003	RMB20,000,000	100%	–	Production of food-grade glycine
南昌市新琪安科技有限公司 Nanchang Newtrend Technology Co., Ltd.* *(Note i)*	PRC, 26 June 2017	RMB10,000,000	100%	–	Sales of food-grade glycine
西藏新琪安精細化工有限公司 Xizang Newtrend Fine Chemical Technology Co., Ltd.* *(Note i)*	PRC, 23 April 2014	RMB10,000,000	100%	–	Production of industrial-grade glycine
Newtrend Food Ingredient (Thailand) Co., Ltd. *(Note ii)*	Thailand, 5 March 2013	THB180,000,000	98%	2%	Sales of sucralose and food-grade glycine
吉安市智科貿易有限公司 Ji'an Zhike Trade Co., Ltd.* *(Note iii)*	PRC, 18 April 2022	RMB3,000,000	–	100%	Sales of sucralose products
NTFC (HK) CO., LIMITED *(Note iv)*	Hong Kong, 30 June 2015	HKD1,000,000	–	100%	Investment holding
Newtrend Europe B.V. *(Note v)*	Netherlands, 10 November 2017	EUR100,000	–	100%	Sales of sucralose and food-grade glycine to Europe market
PT. Newtrend Nutrition Ingredient *(Note v)*	Indonesia, 23 October 2019	IDR70,000,000,000	–	100%	Production of food-grade glycine
PT. NTFC Trading Indonesia *(Note v)*	Indonesia, 3 May 2023	IDR10,100,000,000	–	100%	Dormant company

Notes:

(i) The statutory financial statements for these entities for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants LLP.

(ii) The statutory financial statements for the years ended 31 December 2022 and 2023 were prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities and audited by Toyo Audit Co., Ltd. Up to the date of this report, the statutory financial statement for the year ended 31 December 2024 have not yet to be issued.

(iii) The statutory financial statements for the years ended 31 December 2022, 2023 and 2024 have not yet been issued as at the report date.

(iv) The statutory financial statements for the years ended 31 December 2022 and 2023 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and audited by OCG CPA Limited. Up to the date of this report, the statutory financial statement for the year ended 31 December 2024 have not yet to be issued.

(v) No statutory financial statements have been prepared for these subsidiaries during the Track Record Period, as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation, unless otherwise required by tax bureau.

* English name for identification only.

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	78,131	78,131	78,131
Less: Impairment loss	(11,213)	(11,213)	(11,213)
	66,918	66,918	66,918

39. CAPITAL RISK MANAGEMENT

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

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

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
At amortised cost:			
– trade and bills receivables	102,536	118,514	224,613
– deposits and other receivables *(Note i)*	470	832	1,477
– bank balances and cash	179,316	107,991	51,469
	282,322	227,337	277,559

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
At amortised cost:			
– trade and bill payables	72,877	70,216	96,285
– other payables *(Note ii)*	38,063	40,975	48,852
– lease liabilities	1,029	936	324
– bank borrowings	87,100	59,600	74,700
– other borrowings	97,400	95,650	95,650
	296,469	267,377	315,811

Notes:

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

(ii) Excluded other tax payables and accrued **[REDACTED]** cost.

Financial risk management objectives and policies

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

Market risk

Currency risk

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

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

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
– USD	178,366	183,043	258,337

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
– USD	1,764	1,159	6,846

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

Sensitivity analysis

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

	Profit or loss		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
USD	8,830	9,094	12,575

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank borrowings (Note 26) and lease liabilities (Note 25), all bear fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 21) and floating-rate bank borrowing (Note 26). The Group currently does not have any instruments to hedge against the fair value interest rate risk.

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

Credit risk and impairment assessment

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

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

Trade receivables arising from contracts with customers

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

The Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the Track Record Period. The percentage of trade receivables attributable to these five largest customers amounted to 86.9%, 79.1% and 79.8% as at 31 December 2022, 2023 and 2024 respectively.

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

Bills receivables

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

Deposits and other receivables

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

Bank balances

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

Financial guarantee

The Company provided guarantees for redemption liabilities (the "**Liability**") of Mr. Wang and Newtrend Industrial, which covered the principal, interests, penalties and other incidental expenses payable of the Liability. As at 31 December 2022, 2023 and 2024, the maximum credit risk exposure of the Liability was RMB70,419,000, RMB71,858,000 and RMB74,673,000, respectively.

Mr. Wang and his relatives offered counter-guarantee with commercial real estates and residential real estates as pledged assets (the "**Pledged Assets**") for the Company's guarantee. The fair value of the Pledged Assets is considered enough to shield the Company against almost any loss as a result of the guarantee related to the Liability. Because of the Liability is overdue in 2022, the solicitor of the creditor has issued a legal letter to the debtor, together with the Company, Newtrend Industrial and Mr. Wang to demand the payment of redemption. Since the Pledged Assets is considered enough to shield almost any loss of the financial guarantee of the Company, the management of the Company did not make a provision for ECL allowance on the financial guarantee for the year ended 31 December 2022, 2023 and 2024.

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

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

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

	12m ECL or lifetime ECL	2022 Gross carrying amount *RMB'000*	2023 Gross carrying amount *RMB'000*	2024 Gross carrying amount *RMB'000*
Financial assets at amortised cost				
Bank balances	12m ECL	179,316	107,991	51,469
Trade receivables — contracts with customers	Lifetime ECL (collective assessment, not credit-impaired)	102,445	118,966	231,706
	Lifetime ECL (individual assessment, not credit impaired)	–	–	90
	Lifetime ECL (credit-impaired)	450	459	471
		102,895	119,425	232,267
Bill receivables	12m ECL	5,217	5,530	4,449
Other receivables	12m ECL	592	1,023	1,601

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired trade receivables which are assessed based on a collective basis under lifetime ECL model. Credit-impaired debtor with gross carrying amount of approximately RMB450,000, RMB459,000 and RMB471,000 for the years ended 31 December 2022, 2023 and 2024, respectively was assessed individually.

	2022		2023		2024	
Internal credit rating	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**
		RMB'000		*RMB'000*		*RMB'000*
Low risk	5%	102,445	5%	118,966	5%	231,706
Watch list	–	–	–	–	52%	90
Loss	100%	450	100%	459	100%	471
		102,895		119,425		232,267

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

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

	Lifetime ECL (collective assessment, not credit-impaired)	**Lifetime ECL (not credit-impaired)**	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	4,267	148	–	4,415
Transfer to lifetime ECL (credit-impaired)	–	(41)	41	–
Impairment losses recognised/(reversed)	809	(107)	410	1,112
Exchange adjustments	50	–	(1)	49
At 31 December 2022 and 1 January 2023	5,126	–	450	5,576
Impairment losses recognised	800	–	–	800
Exchange adjustments	56	–	9	65
At 31 December 2023 and 1 January 2024	5,982	–	459	6,441
Transfer to lifetime ECL (not credit-impaired)	(4)	4	–	–
Impairment losses recognised	5,653	43	–	5,696
Exchange adjustments	(45)	–	11	(34)
At 31 December 2024	11,586	47	470	12,103

The Group makes full provision for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Movements in the loss allowance account in respect of other receivables during Track Record Period are in Note 20.

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings, ensures compliance with loan covenants and renews bank borrowings, if necessary.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including both interest and principal.

	Effective interest rate	On demand or less than 1 month	1 to 3 months	3 to 12 months	More than 1 year	2 to 5 years	Total contractual undiscounted cash flow	Total carrying value
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022								
Non-derivatives financial liabilities								
Trade and bills payables	–	72,877	–	–	–	–	72,877	72,877
Other payables	–	34,370	2,313	1,380	–	–	38,063	38,063
Lease liabilities	4.30	3	7	537	276	276	1,099	1,029
Bank borrowings	4.42	4,318	10,070	64,992	10,348	–	89,728	87,100
Other borrowing — non-interest bearing	–	97,400	–	–	–	–	97,400	97,400
Total		208,968	12,390	66,909	10,624	276	299,167	296,469
Guarantee issued								
Maximum guarantee exposure		70,419	–	–	–	–	70,419	70,419
As at 31 December 2023								
Non-derivatives financial liabilities								
Trade and bills payables	–	60,893	–	9,323	–	–	70,216	70,216
Other payables	–	36,589	1,290	3,096	–	–	40,975	40,975
Lease liabilities	4.30	32	64	545	338	–	979	936
Bank borrowings	3.58	178	15,311	45,289	–	–	60,778	59,600
Other borrowing — non-interest bearing	–	95,650	–	–	–	–	95,650	95,650
Total		193,342	16,665	58,253	338	–	268,598	267,377
Guarantee issued								
Maximum guarantee exposure		71,858	–	–	–	–	71,858	71,858

	Effective interest rate	On demand or less than 1 month	1 to 3 months	3 to 12 months	More than 1 year	2 to 5 years	Total contractual undiscounted cash flow	Total carrying value
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024								
Non-derivatives financial liabilities								
Trade and bills payables	–	78,486	3,828	13,971	–	–	96,285	96,285
Other payables	–	44,839	2,276	1,737	–	–	48,852	48,852
Lease liabilities	4.30	31	31	276	–	–	338	324
Bank borrowings	3.34	206	10,378	65,716	–	–	76,300	74,700
Other borrowing — non-interest bearing	–	95,650	–	–	–	–	95,650	95,650
Total		219,212	16,513	81,700	–	–	317,425	315,811
Guarantee issued								
Maximum guarantee exposure		74,673	–	–	–	–	74,673	74,673

Fair value measurement of financial instruments

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the Historical Financial Information approximate their fair values at the end of each reporting period.

During the Track Record Period, the Group invests in financial assets including wealth management products, trust products and forward contracts provided by banks in PRC and disposed of these financial assets during each reporting period. The Group did not hold any financial assets carried at fair value as at 31 December 2022, 2023 and 2024.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

41. EVENTS AFTER THE TRACK RECORD PERIOD

In January 2025, the Company, Xizang Newtrend, Newtrend Industrial, and Zang Qing Investment entered into a supplemental agreement (the "**Xizang Settlement Agreement**"), pursuant to which each party agreed to re-arrange the repayment schedules of the borrowing with principal amount of RMB95,650,000 as disclosed in note 27 and Xizang Newtrend agreed to provide its leasehold land and property, plant and machinery as a security (the "**New Zang Qing Borrowings**"). With the effect of Xizang Settlement Agreement, each party also agreed not to claim for a breach relating to their rights and obligations of unrecovered subsidy and overdue penalty as disclosed in note 32 — Contingent asset and Contingent liabilities, and the respective guarantee provided by Newtrend Industrial was released.

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

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs for the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the **[REDACTED]** in H Shares, nor does it take the specific circumstances of any particular **[REDACTED]** into account, some of which may be subject to special provisions. Accordingly, you should consult your own tax adviser regarding the tax consequences of an **[REDACTED]** in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC (including Hong Kong) taxation other than income tax, capital appreciation and profits tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective **[REDACTED]** are urged to consult their financial advisers regarding the PRC (including Hong Kong) and other tax consequences of owning and disposing of H Shares.

The PRC taxation

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法), which was most recently amended on 31 August 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法實施條例), which was most recently amended on 18 December 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise investors

In accordance with the Corporate Income Tax Law of the PRC (中華人民共和國企業所得税法) issued by NPC on 16 March 2007 and latest amended on 29 December 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) issued by the State Council on 6 December 2007, came into effect on 1 January 2008 and amended on 23 April 2019 (hereinafter collectively referred to as the "**CIT Law**"), the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知), which was issued and implemented by the State Administration of Taxation (the "**SAT**") on 6 November 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "**Arrangement**"), which was signed on 21 August 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company unless a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (〈內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排〉第五議定書), which came into effect on 6 December 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知).

Tax treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, the Macau Special Administrative Region of the PRC, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Taxation on share transfer

Value-Added Tax ("**VAT**") and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (關於全面推開營業税改徵增值税試點的通知) (the "**Circular 36**"), which was implemented on 1 May 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知) effective on 1 January 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "**Local Additional Tax**").

Income tax

Individual investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得税的通知) issued by the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on 31 December 2009, the Ministry of Finance, SAT and China Securities Regulatory Commission jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得税

有關問題的通知), which came into effect on 31 December 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知) jointly issued and implemented by such departments on 10 November 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise investors

In accordance with the CIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp duty

Pursuant to the Stamp Duty Law of the PRC (中華人民共和國印花税法), which was issued on 10 June 2021 and came into effect on 1 July 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

Taxation in Hong Kong

Tax on dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits tax

No profits tax is imposed in Hong Kong in respect of the sale of H shares. However, trading profits from the sale of the H shares by persons carrying on any industry, profession or business in Hong Kong, where such profits are derived from or arise in Hong Kong from such industry, profession or business will be subject to Hong Kong profits tax. Trading profits from sales of the H shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading profits from sales of H shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong. The trading profits from sales of the H shares for certain categories of taxpayers are likely to be regarded as deriving trading profits rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Shareholders should take advice from their own professional advisers as to their particular tax position.

Currently, the profits tax rate for the first HK$2 million of assessable profits of an incorporated company is 8.25%, and profits above such amount is subject to a tax rate of 16.5%. The profits tax rate for the first HK$2 million of assessable profits of an unincorporated company is 7.5%, and profits above such amount is subject to a tax rate of 15%.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

AFRC transaction levy

The AFRC transaction levy was applicable to all sale and purchase of securities at 0.00015% per side with effect from 1 January 2022, which will be regarded as one of the transaction costs.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after 11 February 2006.

FOREIGN EXCHANGE

Foreign exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorisation of the People's Bank of China (hereinafter referred to as "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例), which was promulgated by the State Council on 29 January 1996 and most recently amended on 5 August 2008, classifies all international payments and transfers into current items and capital items. Current account items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital account items, overseas organisations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which was promulgated by the PBOC on 20 June 1996 and implemented on 1 July 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (關於完善人民幣匯率形成機制改革的公告), which was issued by the PBOC and implemented on 21 July 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (國務院關於取消和調整一批行政審批項目等事項的決定) which was promulgated by the State Council on 23 October 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued by the SAFE and implemented on 26 December 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which took effect on 1 June 2015 and was amended on 30 December 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On 26 January 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (關於進一步推進外匯管理改革完善真實合規性審核的通知) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilisation, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On 23 October 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (關於進一步促進跨境貿易投資便利化的通知), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realisation of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (Revised 2023) (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (the "**NPC**") and SCNPC are empowered to exercise the legislative power of the State according to the Constitution. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The SCNPC has the power to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of administration in PRC and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative regions, provided that such local regulations do not contravene the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the National Audit Office and institutions with administrative functions directly under the State Council may formulate rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection, historical and cultural protection, etc. based on the specific circumstances and actual needs of such cities. The formulation of local regulations based on the specific circumstances and actual needs of such cities shall be submitted to the standing committees of the people's congresses of provinces or autonomous regions for approval before implementation, provided that the relevant local regulations shall comply with the Constitution, laws, administrative regulations and the relevant local regulations of their respective provinces or autonomous regions.

People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by SCNPC, and to annul any autonomous regulations or separate regulations which have been approved by SCNPC, but which contravene the Constitution or the Legislation Law.

The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the Standing Committee of the National People's Congress on Strengthening the Interpretation of Laws, which was passed on 10 June 1981, the Supreme People's Court of the PRC (hereinafter collectively referred to as the "**Supreme People's Court**") shall give general interpretations on all issues relating to the specific application of laws and decrees in court trials and inspections by the procuratorates. The State Council and its ministries and commissions also have the power to give interpretations of the administrative regulations and

departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations as well as administrative regulations is vested in the regional legislative and administrative bodies which promulgate such laws and regulations as well as administrative regulations.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is composed of the Supreme People's Court, the local people's courts at all levels and the special people's courts.

The local people's courts at all levels are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the power to exercise legal supervision over the civil proceedings of people's courts of the same level or lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by the people's courts at all levels.

The Civil Procedure Law of the PRC (implemented on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017, 24 December 2021 and 1 September 2023, hereinafter referred to as the "**PRC Civil Procedure Law**") sets forth the standards for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law.

Generally, a civil case is first heard by the court where the defendant resides. The parties to a contract may also, by express agreement, select a competent court for civil proceedings, and the people's court having jurisdiction shall be the court at the location of the defendant's domicile, place of performance of contract, place of execution of contract, address of the plaintiff, location of the subject matter, etc. or a venue which has actual connection with the dispute, but shall not violate the provisions of hierarchical jurisdiction and exclusive jurisdiction.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally and whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES ON THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company which is incorporated in the PRC and seeking a [**REDACTED**] on the Stock Exchange is mainly subject to the following PRC laws and regulations:

(a) the PRC Company Law, which was promulgated by the SCNPC on 29 December 1993 and became effective on 1 July 1994, as amended from time to time, and has recently been amended by the SCNPC on 29 December 2023 and effective on 1 July 2024;

(b) on 17 February 2023, the CSRC promulgated the Trial Measures and related guidelines, which are applicable to direct and indirect offshore share [**REDACTED**] and [**REDACTED**] by domestic enterprises; and

(c) On 15 December 2023, the CSRC last amended the Guidelines on the Articles of Association of Listed Companies (hereinafter referred to as the "**Guidelines on the Articles of Association**").

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Measures and the Guidelines for Articles of Association.

General

A joint stock limited company is a corporate legal person incorporated in PRC under the PRC Company Law, whose registered capital is divided into shares of equal par value. Shareholders of the company shall be liable for the company to the extent of the shares they held, and the company shall be liable for the debts of the company with all its properties.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

Joint stock limited companies may be incorporated by means of sponsorship or by means of share offer. To incorporate a joint stock limited company, there shall be more than one but within two hundred sponsors, of which more than half must have their domicile within the territory of the PRC. Promoters shall make full payment for the shares they have subscribed for prior to the establishment of a company. Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting. Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters. Matters to be dealt with at an establishment meeting include adopting of the company's articles of association and electing members of the board of directors and members of the supervisory board. The resolution made at the establishment meeting must be approved by subscribers attending the meeting who represent more than half of the voting rights.

The board of directors shall, within 30 days after the establishment meeting, submit to the company registration authority and authorise a representative to file an application for registration of the incorporation of a joint stock limited company. Upon issuance of a company business licence by the relevant registration authority, the company is formally established and has the status of a legal person.

Share capital

The shareholders may make their capital contributions in cash, or with material objects, intellectual property rights, land use rights and other non-monetary property that can be valued in currency and transferred in accordance with the law. If the contribution is made in non-monetary property and such property contributed must be evaluated and verified and converted into shares.

The issue of shares shall be in compliance with the principles of publicity, fairness and justice. The same shares must carry the same rights and the same benefits. Shares of the same issue shall be issued on the same conditions and at the same price. Shares may be issued at or above par but not below par.

According to the Trial Measures, if a domestic enterprise conducts an overseas [**REDACTED**] or [**REDACTED**], it shall file the [**REDACTED**] and [**REDACTED**] documents with the CSRC within three working days after submitting the [**REDACTED**] documents for overseas [**REDACTED**] and [**REDACTED**]. Domestic enterprises may raise funds and pay dividends in foreign currencies or in RMB in an overseas [**REDACTED**] or [**REDACTED**].

Issue of shares

The issue of shares of a joint stock limited company shall be in compliance with the principles of publicity, fairness and justice. The same shares must carry the same rights and the same benefits.

Shares of the same issue shall be issued on the same conditions and at the same price. Shares may be issued at or above par but not below par.

Where a domestic enterprise [**REDACTED**] and [**REDACTED**] overseas, the issuer shall file with the CSRC in accordance with the Trial Measures and submit a filing report, a legal opinion and other relevant materials, giving a true, accurate and complete account of shareholders' information and other information. Where a domestic enterprise proceeds a direct overseas [**REDACTED**] or [**REDACTED**], the issuer shall file with the CSRC. Where a domestic enterprise proceeds an indirect overseas [**REDACTED**] and [**REDACTED**], the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Registered shares

According to the PRC Company Law, the shares issued by a company shall be registered shares.

Increase share capital

According to the PRC Company Law, where a company issues new shares, resolutions on the class and number of the new shares, the issue price of the new shares, the opening and closing dates of the new share issue, and the class and number of new shares issued to existing shareholders shall be adopted by a shareholders' general meeting according to the articles of association.

Where the new share issue of a company is fully subscribed for, the company shall apply to the company registration authority for registration of the modification in its capital and make a public announcement thereafter. Where a company increases its registered capital, the capital contributions to the newly increased shares subscribed for by the shareholders shall be governed by the relevant provisions of the PRC Company Law regarding the payment of stock capital for the establishment of a joint stock limited company.

Reduce share capital

Where a company intends to reduce its registered capital, it must formulate a balance sheet and a detailed inventory of assets. The company shall inform its creditors of the planned reduction of its registered capital within 10 days from the date on which the resolution to reduce its capital is adopted, and make announcements in newspaper or on the National Enterprise Credit Information Publicity System within 30 days from the date on which the resolution to reduce its capital is adopted. The creditors shall have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company within 30 days from the date of the receipt of the notice or, within 45 days from the date of the announcement for those who have not received the notice. The company shall apply to the company registration authority for registration of the changes in accordance with law.

Repurchase of shares

According to the PRC Company Law, a company may not purchase its own shares except where, (i) for the purpose of reducing its capital; (ii) the company merges with another company which holds its shares; (iii) the granting of shares for the implementation of an employee shareholding scheme or a share incentive scheme; (iv) shareholders requesting the company to purchase its own shares due to dissenting views on a resolution of a shareholders' general meeting on a merger or division of the company; (v) the use of shares for the conversion of convertible bonds issued by the listed company; and (vi) share buybacks that are necessary for a listed company in order to safeguard the value of the company and the interests of its shareholders.

The acquisition of shares by the company for the reasons mentioned in (i) and (ii) above shall be subject to the resolution of the shareholders' general meeting. If the company purchases shares for reasons (iii), (v) or (vi) above, a resolution must require more than two-thirds of the voting rights held by the directors present at the board of directors' meeting, in accordance with the provisions of the articles of association or by authorisation of the shareholders' general meetings.

A company must cancel the shares purchased by the company itself in accordance with the preceding subparagraph (i) within 10 days. In the event of a share repurchase under (ii) or (iv), the shares shall be transferred or cancelled within six months. In the event of a share repurchase under (iii), (v) or (vi), the total shares held by the company shall not exceed ten percent of the total number of issued shares of the company and shall be transferred or cancelled within three years.

A listed company that makes a share repurchase shall fulfil its information disclosure obligations in accordance with the provisions of the securities laws. If a share repurchase is made pursuant to subparagraphs (iii), (v) or (vi), it shall be carried out through open and centralised trading.

Transfer of shares

According to the PRC Company Law, shares held by shareholders may be transferred in accordance with law. Transfer of shares by shareholders shall be conducted through stock exchanges established in accordance with law or by such other means as provided for by the State Council. The stocks shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders.

No modification to the roster of shareholders as the transfer of registered shares shall be made within 20 days prior to the convening of a shareholders' general meeting or within 5 days prior to the date decided by the company for the distribution of dividends. However, if the law, administrative regulation or the securities regulatory authority of the State Council provides otherwise for the modification to the roster of shareholders of a listed company, the provisions shall apply.

According to the PRC Company Law, shares issued prior to the [**REDACTED**] of shares may not be transferred within one year from the date of [**REDACTED**] of the shares of a joint stock company on a stock exchange. Directors, supervisors and the senior managements shall declare their numbers of shares held by them to the company, and shall not transfer each year more than 25% of the total number of shares of the company held by them during their term of office. Our Company's shares held by them shall not be transferred within one year from the date on which the shares of the company are [**REDACTED**] and [**REDACTED**] on a stock exchange and shall not be transferred within six months of their resignation to the company.

Shareholders

Under the PRC Company Law and the Guidelines on the Articles of Association, the rights of a holder of ordinary shares of a joint stock limited company include:

- to attend or appoint a proxy to attend shareholders' general meetings and to vote in proportion to the number of shares held;
- to transfer shares in accordance with laws, administrative regulations and the articles of association;
- to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory board and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;
- to file legal actions with the People's Court to revoke resolutions passed at shareholders' general meetings and board of directors' meetings if the contents of such resolutions are in violation of the articles of association;

- to receive dividends and other distributions in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, to participate in the distribution of remaining assets of the company in proportion to the number of shares held; and

- other rights conferred by laws, administrative regulations, other normative documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay subscription monies in accordance with the shares subscribed for, to assume the debts and liabilities of the company to the extent of the subscription amounts agreed by the shareholders in respect of the subscribed shares, not to abuse shareholders' rights to damage the interests of the company or other shareholders of the company, not to abuse the independent status of the company as a legal person and its limited liability to damage the interests of the company's creditors, and any other shareholders' obligations under the company's articles of association.

Shareholders' general meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting exercises the following powers:

- to elect or replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

- to consider and approve reports of the board of directors;

- to consider and approve reports of the supervisory board;

- to consider and approve the profit distribution plan and loss recovery plan of the company;

- to resolve on the increase or reduction of the registered capital of the company;

- to resolve on the issue of bonds by the company;

- to resolve on the merger, division, dissolution, liquidation and other matters of the company;

- to amend the articles of association; and

- to exercise any other authority stipulated in the articles of association.

Shareholders' general meetings shall be held once a year. According to the PRC Company Law, an extraordinary general meeting shall be convened within two months when any of the following circumstances occurred:

- if the number of directors is less than the number stipulated by the laws or less than two thirds of the number specified in the articles of association;
- when the unrecovered total losses of the company amount to one-third of the total amount of its share capital;
- when shareholders individually or jointly holding more than ten percent of the company's shares request;
- when deemed necessary by the board of directors;
- when proposed by the supervisory committee; and
- any other circumstances as provided for in the articles of association.

According to the PRC Company Law, the shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

Where the board of directors is incapable of performing or not performing its duties of convening a shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner; where the supervisory committee fails to convene and preside over such meeting, shareholders individually or jointly holding more than ten percent of the shares of the company for more than 90 consecutive days may convene and preside over such meeting by themselves.

According to the PRC Company Law, the time and venue of and matters to be considered at the shareholders' general meeting shall be notified to all shareholders 20 days prior to the meeting. The company shall notify each shareholder 15 days prior to the extraordinary general meeting.

Shareholders individually or in the aggregate holding more than one percent of the shares of the company may propose and submit a temporary proposal to the convener in writing 10 days prior to date of the shareholders' general meeting; the convener shall notify other shareholders within two days after receipt of the said temporary proposal and to submit the same to the shareholders' general meeting for consideration. According to the Guidelines on the Articles of Association, after the notice of the shareholders' general meeting is given, without cogent reason, the shareholders' general meeting shall not be postponed or cancelled, and the proposals set out in the notice shall not be cancelled.

Once the shareholders' general meeting is adjourned or cancelled, the convener shall make public announcement and explain the reasons at least two working days before the original holding date.

The PRC Company Law does not specify the number of shareholders required to be present at a shareholders' general meeting. According to the Guidelines on the Articles of Association, the board of directors and the secretary to the board of directors cooperate with shareholders' general meetings convened by the supervisory committee or the shareholders. The board of directors will provide a register of shareholders on the share registration date. In addition, when a shareholders' general meeting is convened, all directors, supervisors and the secretary to the board of directors of the company shall attend the meeting, and the managers and other senior management shall attend the meeting as proxies without voting rights.

According to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold. However, the shares held by the company do not carry any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law and the Guidelines on the Articles of Association, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, a resolution of the shareholders' general meeting to merge, division, dissolve, increase or reduce registered capital, change the form of the company or amend the articles of association of the company, the share incentive scheme and the purchase or disposal of significant assets within one year or the amount of guarantees in excess of 30% of the latest audited total assets of the company must be approved by more than two thirds of the votes of the shareholders present at the meeting. The shareholders' general meeting shall make minutes of the decisions on the items under consideration. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the register of signatures of the attending shareholders and the proxy form for proxy attendance.

RIGHTS AND CHANGES OF CLASSES OF SHARES

The PRC Company Law does not have special provisions on the change of rights of classes of shares. However, the PRC Company Law stipulates that the State Council may make separate provisions on the issuance of other classes of shares other than those stipulated in the PRC Company Law.

Board of directors

According to the PRC Company Law, a joint stock limited company shall have a board of directors. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until an officially re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors exercises the following powers:

- to convene shareholders' general meetings and report on its work at the shareholders' general meetings;
- to implement the resolutions passed on the shareholders' general meetings;
- to decide on the company's operational plans and investment proposals;
- to formulate the company's profit distribution plans and loss recovery plans;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the establishment of the company's internal management structure;
- to decide on the appointment or dismissal of the company's manager and their remuneration, and, according to the nomination of the manager, deciding on hiring or dismissing deputy managers and financial director of the company as well as their remuneration;
- to formulate the company's basic management system; and

- other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least 10 days before the meeting. An interim meeting of the board of directors may be convened when the shareholders representing one tenth or more of the voting rights propose to hold such meeting, or when one third or more directors or supervisor committee propose to hold such meeting. The chairman of the board of directors shall convene and preside over the meetings of the board of directors within 10 days of receipt of the proposal. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors.

Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a meeting for any reason, he/she may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the company's articles of association or the resolutions of the shareholders' general meeting, and as a result of which the company incurs serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

According to the PRC Company Law, a board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and vice chairman shall be elected with approval of more than half of all the directors. The chairman of the board of directors shall convene and preside over meetings of the board of directors, and check on the implementation of the resolutions of the board of directors. The vice chairman shall assist the chairman. Where the chairman is incapable of performing or not performing his duties, the vice chairman shall preside over the meeting; where the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall preside over the meeting.

The PRC Company Law provides that the following persons may not serve as a director of a company: (i) a person with no civil capacity or limit civil capacity; (ii) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the socialist market economic order and has been punished because of committing such offence; or who has been deprived of his political rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation; or who has been pronounced for suspension of sentence, and a two-year period has not elapsed since the expiration of the suspension of sentence; (iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent

liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (iv) a person who was a legal representative of a company or enterprise which had its business licence revoked and was ordered to close down due to violation of the law and was personally liable, where less than three years have elapsed since the date of the revocation of the business licence or the order for closure of the company or enterprise; (v) a person who is listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts. If a company violates the provisions of the preceding paragraph in electing or appointing a director, such election or appointment shall be null and void. A director, who falls under the circumstances as set out in preceding paragraph shall be removed from office by the company.

Supervisory committee

According to the PRC Company Law, a joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in the PRC Company Law. It may not have a board of supervisors or supervisors. A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years. A supervisor may serve consecutive terms if re-elected upon the expiry of its term of office. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and the articles of association until a duly reelected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

Meetings of the supervisory committee shall be held at least once every six months. According to the PRC Company Law, resolutions of the supervisory committee require the approval of more than half of the supervisors.

The supervisory committee exercises the following functions and powers:

- review the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or any resolution of the general meeting;
- require the director and senior management to make corrections if his/her act is detrimental to the interest of the company;
- propose the convening of an extraordinary general meeting, and to convene and preside over shareholders' general meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' general meetings as prescribed by the PRC Company Law;
- put forward proposals at shareholders' general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

Supervisors may attend the board meetings and make enquiries or suggestions regarding the resolutions of the board meetings. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firms to assist in their work at the company's expenses.

Manager and senior management

According to the PRC Company Law, senior management refers to the company's manager, deputy manager, person in charge of finance, and the secretary to the board of directors of a listed company as well as any other personnel.

A joint stock limited company may have a manager, who shall be appointed or removed as decided by the board of directors. The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorisation of the board of directors. The manager shall attend the meetings of the board of directors as a non-voting member.

Duties of directors, supervisors and senior management

According to the PRC Company Law, a director, supervisor and senior management are required to comply with the laws, administrative regulations and the articles of association, and shall be faithful and diligent to the company. The director, supervisor and senior management are prohibited from abusing their powers to accept bribes or other illegal income and from misappropriating the company's properties.

Directors and senior management shall not have the following behaviour:

- embezzling the property or misappropriating the funds of the company;
- depositing company funds into accounts under their own names or the names of other individuals;
- taking commissions from the transactions between the company and any other person into his/her own pocket;
- accepting commissions from others dealing with the company for their own benefit;
- disclosing confidential information of the company without authorisation; and
- other acts in violation of the duty of loyalty to the company.

Income generated by directors or senior management in violation of the foregoing provisions shall revert to the company.

A director, supervisor or senior management who contravenes any law, administrative regulations or the articles of association in the performance of his duties to the company resulting in any loss to the company shall be liable to compensation.

Where the general meeting requires directors, supervisors and senior management to attend the meeting, the directors, supervisors and senior management shall attend the meeting and answer the inquiries of shareholders. Directors and senior management shall truthfully provide the supervisory committee with relevant information, and shall not hinder the supervisory committee or supervisors from exercising its/their functions and powers.

If a director or senior management has violated the laws, administrative regulations or the articles of association in the course of performing his duties to the company, and thereby caused the company to incur a loss, shareholders individually or jointly holding one percent or more of the company's shares for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court in respect thereof. If the supervisor has violated the laws, administrative regulations or the articles of association in the course of performing his/her duties to the company, and

thereby caused the company to incur a loss, the aforesaid shareholders may request in writing the board of directors to initiate proceedings in the people's court in respect thereof. If the supervisory committee or the board of directors refuses to initiate proceedings after receipt of a written request from the shareholders as mentioned in the preceding paragraph, or fails to initiate proceedings within 30 days of the date of receipt of the request, or under urgent circumstances where failure to promptly initiate proceedings would cause irreparable harm to the company's interests, the shareholders mentioned in the preceding paragraph are entitled to directly initiate proceedings in the people's court in their own name in the interests of the company. If any person infringes the lawful rights of the company and has caused a loss to the company, the shareholders mentioned in the preceding paragraph may initiate proceedings in the people's court according to the above provisions.

Where a director or senior management violates laws, administrative regulations or the articles of association, thereby damaging the interests of shareholders, the shareholders may initiate proceedings in the people's court.

Finance and accounting

According to the PRC Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each accounting year prepare a financial and accounting report which shall be audited by the accounting firm. The financial and accounting report shall be prepared according to laws, administrative regulations and the regulations of the financial department of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the date of every annual general meeting. A joint stock limited company with shares issued publicly must publish its financial and accounting reports.

When a company distributes the annual after-tax profits, it shall allocate ten percent of its profits to its statutory common reserve fund. Where the accumulated amount of the statutory common reserve fund has exceeded 50% of the registered capital of the company, further allocation may be dispersed with. Where the statutory common reserve fund is insufficient to make up the losses of the previous year, the company shall apply its annual after-tax profits to making up its losses before allocating such profits, to the statutory common reserve fund. After making its allocation to the statutory common reserve fund from the after-tax profits, the company may, upon resolution made by the shareholders' general meeting, make allocations to the discretionary common reserve fund from after-tax profits. After a company makes up its losses and makes allocations to the discretionary common reserve fund, a company shall distribute the remaining after-tax profits to its shareholders according to the proportion of capital subscribed for by each shareholder, except for those shall not be distributed according to the proportion of capital according to the articles of association. Where the shareholders' general meeting or the board of directors violates the provisions of the preceding paragraphs by distributing profits to the shareholders before making up the company's losses and making allocations

to the statutory common reserve fund, the profits distributed in violation of the provisions must be returned by the shareholders to the company. No profits may be distributed from the company's shares held by the company.

The premium income derived from issuing shares above par value by a company, and other income, which according to the rules set by the department in charge of financial affairs under the State Council, should be entered into the capital common reserve fund of the company. A company's common reserve fund shall be used to make up the company's losses, to expand the production and operation of the company or to increase the capital of the company by means of conversion.

Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory common reserve fund is converted into its capital, the remaining amount of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before conversion.

A company shall not have any other account books in addition to its statutory account books. No account may be opened in the name of any individual for deposit of a company's assets.

Appointment and dismissal of accounting firms

According to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, the board of directors or the board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

Amendments to the articles of association

According to the PRC Company Law, a resolution on the amendment to the articles of association at the shareholders' general meeting must be adopted by two thirds or more of the voting rights of the shareholders who attend the meeting of the shareholders' meeting. In relation to matters involving the company's registration, the company shall apply for modification registration with the registration authority.

Dissolution and liquidation

According to the PRC Company Law, a company may be dissolved for the following reasons: (i) the term of its operations set down in the articles of association has expired or events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting resolves to dissolve the company; (iii) dissolution is necessary due to merger or division of the company; (iv) the company's business licence is revoked or the company is ordered to close down or be revoked according to law; (v) where the company encounters serious difficulties in its operation and management and the company's continuance shall cause a significant loss in the interests of shareholders, and where this cannot be resolved through other means, shareholders who hold more than ten percent of the voting rights of all shareholders of the company request the people's court to dissolve the company, the people's court dissolves the company based on the circumstance.

In the event of the circumstance described in (i) or (ii) above, and it has not distributed the assets to its shareholders yet, the company may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting. The amendments to the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending the shareholders' general meeting.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation.

The liquidation committee shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. If the liquidation committee fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to sort out the company's assets and prepare a balance sheet and an inventory of assets;
- to notify creditors by notices or public announcements;
- to deal with and liquidate any outstanding business of the company;
- to pay outstanding tax together with any tax arising during the liquidation process;
- to settle claims and liabilities;

- to distribute the remaining assets of the company after its debts have been paid off; and

- to represent the company in civil lawsuits.

The liquidation committee shall notify creditors within a period of 10 days from the date of its establishment and make an announcement of the liquidation at a newspaper or on the National Enterprise Credit Information Publicity System within 60 days of that date. Within 30 days following the date of receipt of the notification, or within 45 days following the public announcement if the notification is not personally received, creditors shall declare their claims to the liquidation committee. When making declaration of their rights, creditors shall specify the items to which their rights relate and produce evidence to this effect. Claims shall be registered by the liquidation committee. In the course of claiming of creditors' rights, the liquidation committee shall not make any repayment to creditors.

Upon liquidation of the company's assets and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit it to the shareholders' general meeting or the people's court for confirmation. The remaining property of the company after payment of the liquidation expenses, wages of employees, social insurance expenses and statutory compensation, outstanding taxes and the company's debts shall be distributed to shareholders in proportion to their shareholdings. During the liquidation period, the company continues to exist but shall not engage in operating activities unrelated to the liquidation. The company's assets shall not be distributed to its shareholders before payment is made pursuant to the foregoing provision.

If the liquidation committee, having examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall apply to the people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the registration authority, apply for cancellation of the company's registration, and publish an announcement on the termination of the company. Members of the liquidation committee shall faithfully perform their duties and perform their liquidation obligations in accordance with the laws. Members of the liquidation committee are prohibited from abusing their powers to accept bribes or other illegal income and from misappropriating the company's properties. Members of the liquidation committee shall be liable to indemnify the company or its creditors for any loss arising from their willful or material default.

Where the company is declared bankrupt according to the laws, bankruptcy liquidation shall be conducted in accordance with the laws on bankruptcy of companies.

Merger and division

According to the PRC Company Law, a company may merge through merger by absorption or merger by new establishment. When a company merges by absorption, the company being absorbed shall be dissolved. When two or more companies merge to establish a new company, it is merger for new establishment, and all parties being merged shall be dissolved.

In the event of a merger, the parties to the merger shall sign a merger agreement and prepare a balance sheet and an inventory of assets. The company shall notify its creditors within 10 days from the date of the resolution on merger and shall publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. The creditors may require the company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice. In the event of a merger, the credits and debts of the parties to the merger shall be assumed by the company which survives the merger or the newly established company.

When the company is divided, its assets shall be divided accordingly. When the company is divided, a balance sheet and an inventory of assets shall be prepared. The company shall notify its creditors within 10 days from the date of the resolution on division and shall publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. The companies after division shall be jointly and severally liable for the debts of the company before division, unless otherwise agreed by the company and its creditors in writing on the settlement of debts prior to the division.

Where the merger or division of a company involves changes in registered items, such changes shall be registered with the company registration authority in accordance with law. Where a company is dissolved, it shall apply for cancellation of its registration in accordance with law.

Where a new company is incorporated, the registration of the incorporation of the company shall be carried out according to law.

Overseas [REDACTED]

According to the Trial Measures, where an [**REDACTED**] makes an overseas [**REDACTED**] or [**REDACTED**], it shall file with the CSRC within three working days after submitting the [**REDACTED**] for overseas [**REDACTED**] and [**REDACTED**]. If an [**REDACTED**] securities in the same overseas market after overseas [**REDACTED**] and [**REDACTED**], it shall file with the CSRC within three working days after the completion of the [**REDACTED**]. If an issuer [**REDACTED**] and [**REDACTED**] in other overseas markets after overseas [**REDACTED**] and [**REDACTED**], it shall be filed in accordance with the provisions of the first paragraph of this article.

If the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicise the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within five working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading was issued in April 1993, which deals with the application and approval procedures for public offerings of shares, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The Securities Law of the PRC took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law of the PRC comprehensively regulates activities in the PRC securities market.

Article 224 of the Securities Law of the PRC provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of shares overseas are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (2017 Amendment) (hereinafter referred to as the "**Arbitration Law**") was passed by the SCNPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

On 2 December 1986, the PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter referred to as the "**New York Convention**") pursuant to a resolution passed by the SCNPC. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region, which became effective on 1 February 2000 and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region promulgated on 26 December 2020. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement of the Supreme People's Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases promulgated by the Supreme People's Court on 25 January 2024 and implemented on 29 January 2024, in the case of valid judgments in civil and commercial cases or effective judgments on civil claims in criminal cases made between the court of PRC and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the people's court of PRC or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

This Appendix contains a summary of our Articles of Association, the objective of which is to provide potential **[REDACTED]** *with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential* **[REDACTED]**.

GENERAL PROVISIONS

The Articles of Association regulate our Company's organisation and conduct guidance and is binding on our Company, the Shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, Shareholders may sue Shareholders; Shareholders may sue the Directors, Supervisors, general manager and other senior management; Shareholders may sue our Company, and our Company may sue Shareholders, Directors, Supervisors, general manager or other senior management.

SHARES

Issuance of Shares

The Shares of our Company take the registered form of share certificates.

The Shares of our Company shall be issued in accordance with the principles of open, fairness and justice, and each Share in the same class shall rank pari passu. For the same class of Shares issued at the same time, each Share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the Shares shall pay the same price for each Share.

After completing the necessary procedures stipulated in the Trial Measures and other relevant laws, regulations and normative documents, our Company may **[REDACTED]** Shares to domestic **[REDACTED]** and overseas **[REDACTED]**.

For the purpose of the preceding paragraph, overseas **[REDACTED]** shall refer to **[REDACTED]** from foreign countries and Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan of the PRC region who **[REDACTED]** for Shares **[REDACTED]** by our Company; domestic **[REDACTED]** shall refer to **[REDACTED]** within the territory of the PRC apart from above-mentioned region who **[REDACTED]** for Shares **[REDACTED]** by our Company.

Increase, reduction and repurchase of Shares

Increase of Shares

According to the operation and development needs of our Company, subject to the applicable laws and regulations, our Company may increase the registered capital by the following ways upon approval by separate resolution of the Shareholders' general meeting:

(i) [**REDACTED**] of Shares;

(ii) non-[**REDACTED**] of Shares;

(iii) [**REDACTED**] of bonus Shares to existing Shareholders;

(iv) capitalisation of common reserve fund;

(v) other means stipulated by laws and administrative regulations as well as regulatory documents or approved by the securities regulatory authority of the place where our Company's Shares are [**REDACTED**] and the Stock Exchange.

Reduction of Shares

Our Company may reduce its registered capital. Any reduction of our Company's registered capital shall be subject to the procedures prescribed in the PRC Company Law and other relevant regulations, the Listing Rules and other securities regulatory rules of the place where the Shares of our Company are [**REDACTED**], as well as the Articles of Association.

Repurchase of Shares

Our Company shall not purchase its Shares. However, provided that it does not violate the laws, regulations, the regulations of the securities regulatory authority where our Shares are [**REDACTED**] and the provisions of the Listing Rules and the Articles of Association, one of the following circumstances shall apply:

(i) reducing our Company's registered capital;

(ii) merging with other companies holding our Shares;

(iii) using the Shares as an employee stock ownership plan or equity incentive plan;

(iv) purchasing its Shares from Shareholders who have voted against the resolutions on the merger or division of our Company at a Shareholders' general meeting upon their request;

(v) use of Shares for conversion of convertible corporate bonds issued by our Company;

(vi) necessary for our Company to maintain its value and protect the interests of the Shareholders; or

(vii) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory documents, regulations of the securities regulatory authorities where our Shares are [**REDACTED**] and the Listing Rules.

Our Company may repurchase its Shares through open centralised [**REDACTED**] or other ways recognised by laws, administrative regulations and regulatory documents, the Listing Rules and the securities regulatory authorities where our Shares are [**REDACTED**]. If the Share purchase is made under any of the circumstances stipulated in (iii), (v) or (vi) aforementioned, it shall be conducted by way of open centralised [**REDACTED**].

An approval shall be obtained from the Shareholders' general meeting when our Company is to repurchase its own Shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii) and (v) above, a resolution of our Board shall be passed by a two-thirds majority of Directors attending the meeting in accordance with the provisions of the Articles of Association or the authorisation of the Shareholders' general meeting.

After our Company has repurchased its own Shares in accordance with the preceding provision, the Shares so repurchased shall be canceled within 10 days from the date of purchase (under the circumstances set out in (i)), or shall be transferred or canceled within six months (under the circumstances set out in (ii) and (iv)). The Shares of our Company repurchased by our Company under the circumstances set out in (iii), (v) and (vi) above shall not exceed ten percent of the total issued Shares of our Company, and shall be transferred or canceled within three years.

Where laws, administrative regulations, departmental rules, the securities regulatory authorities where our Shares are [**REDACTED**] and the Listing Rules have other provisions on the financial treatment involved in the foregoing Share repurchase, those provisions shall prevail.

Transfer of Shares

Shares of our Company can be transferred legally. All H Shares shall be transferred by an instrument in writing in any usual or common form or any other form which the Board accepts (including the prescribed form or transfer form as required by the Stock Exchange from time to time). The instrument of transfer may only be executed by hand or (if the transferor or the transferee is a company) affixed with our Company's effective seal. If the transferor or the transferee is a recognized clearing house as defined by the relevant regulations of the laws of Hong Kong in effect from time to time or the agent thereof, and

the instrument of transfer may be executed by hand or by machine imprinted signatures. All transfer instruments shall be kept at the legal address of our Company or any address specified by the Board from time to time.

Our Company shall not accept Shares of our Company as the subject of pledges.

The Shares in our Company held by our Company's promoters shall not be transferred within one year from the date of establishment of our Company. The Shares that have been issued before our Company publicly [**REDACTED**] Shares shall not be transferred within one year from the date when the Shares in our Company get [**REDACTED**] and [**REDACTED**] in the stock exchange concerned.

The Directors, Supervisors and senior management of our Company shall declare to our Company the Shares (including the preferred Shares) in our Company they hold and the changes thereof. During the term of office, the Shares transferred by any of the aforesaid persons each year shall not exceed 25% of the total Shares of the same type in our Company he/she holds. The Shares in our Company held by any of the aforesaid persons shall not be transferred within one year from the date when the Shares in our Company get [**REDACTED**] and [**REDACTED**] in the stock exchange concerned. Any of the abovesaid persons shall not transfer the Shares in our Company held by him/her within six months after his/her departure.

If the securities regulatory authority of the place where our Shares are [**REDACTED**] stipulates other restrictions on the transfer of overseas listed foreign Shares, the relevant regulations shall be complied with at the same time.

Where the Shareholders holding five percent or more of our Company, Directors, Supervisors and senior management of our Company sell the Shares or other securities of equity nature of our Company within a period of six months after the acquisition of the Shares or other securities of equity nature of our Company, or repurchase Shares or other securities of equity nature of our Company within six months after [**REDACTED**] of the Shares, any proceeds arising therefrom shall belong to our Company, and the Board of our Company shall withdraw such gains for the benefit of our Company. However, an exception shall be made where a securities company holds 5% or more of its own shares as a result of purchasing the remaining shares after the sole [**REDACTED**] of shares or any other circumstance prescribed by the relevant regulatory authorities.

Financial assistance for acquisition of our Shares

Neither our Company nor any of its subsidiaries shall, by means of donation, advancement, guarantee, compensation, loan or other means, provide any financial aids to any person purchasing or intending to purchase Shares in our Company.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Register of Shareholders

Our Company shall, on the basis of the certificates provided by the securities registration authority, establish a register of members, which is sufficient evidence of the Shareholders' shareholding in our Company. A Shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class and number of Shares he/she holds. Shareholders holding the same class of Shares shall have the same rights and assume the same obligations.

The register of Shareholders registers the following matters, or registers matters in accordance with the laws, administrative regulations, departmental rules and the Listing Rules:

(i) the name, address (domicile), occupation or nature of each Shareholder;

(ii) the class and number of Shares held by each Shareholder;

(iii) the amount paid or payable in respect to the Shares held by each Shareholder;

(iv) the serial numbers of the Shares held by each Shareholder;

(v) the date on which each Shareholder was registered as a Shareholder; and

(vi) the date on which each Shareholder ceased to be a Shareholder.

Subject to the Articles of Association and other applicable regulations, once the Shares of our Company are transferred, the name of the transferee shall be listed in the register of Shareholders as the holder of the said Shares.

The original register of H Shareholders shall be kept in Hong Kong and made available for inspection by Shareholders, but our Company may suspend the registration of Shareholders (if necessary) in accordance with the applicable laws and regulations and the securities regulatory rules of the place where our Company's Shares are [**REDACTED**]; a duplicate of the register of H Shareholders shall be kept at our Company's domicile. The appointed overseas agent shall at all times ensure the consistency of the original and the duplicate(s) of the register of H Shareholders; in case of discrepancies between the original and the duplicate(s) of the register of H Shareholders, the original shall prevail.

If any person whose name appears in the register of Shareholders or requests to register his or her name (title) in the register of Shareholders loses his or her Share certificates, he or she may apply to our Company to reissue new share certificates for those Shares. If a domestic Shareholder loses his stock and applies to the Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the PRC Company Law. If a Shareholder of overseas listed foreign Shares applies for a reissue after losing the share certificates, the matter may be handled in accordance with the laws of the place where the original copy of the Shareholder register of overseas listed foreign Shares is kept, the rules of the stock exchange or other relevant regulations.

When our Company intends to convene a Shareholders' general meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholdings, the Board or the convenor of a general meeting shall determine an equity record date, and Shareholders registered on the register of members after the close of market on such date shall be the Shareholders entitled to the relevant rights and interests.

Shareholders

A Shareholder shall enjoy rights and assume obligations according to the class and number of Shares held by that Shareholder. Shareholders holding the same class of Shares shall enjoy the same rights and assume the same obligations.

Holders of the ordinary Shares of our Company shall be entitled to the following rights:

(i) the right to dividends and other distributions in proportion to the number of Shares held;

(ii) the right to apply legally for, convene, preside, attend or appoint proxies to attend general meetings and to exercise the corresponding right of speech and right to vote;

(iii) the right to supervise, present proposals or raise enquiries in respect of our Company's operations;

(iv) the right to transfer, give as a gift or pledge the Shares it holds in accordance with laws, administrative regulations and the Articles of Association;

(v) the right to inspect the Articles of Association, the register of members, the corporate bond register of our Company, the minutes of general meetings, resolutions of the Board and resolutions of the board of Supervisors, and financial and accounting report;

(vi) in the event of the termination or liquidation of our Company, the right to participate in the distribution of the remaining property of our Company in proportion to the number of Shares held;

(vii) Shareholders who object to resolutions of merger or division made by the Shareholders' general meeting may request our Company to purchase their Shares;

(viii) such other rights conferred by laws, administrative regulations, department rules, and the Listing Rules or the Articles of Association.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or meeting of the Board violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

Where our Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by Directors and senior management in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of our Company for over 180 consecutive days shall have the rights to request in writing to the board of Supervisors to initiate legal proceedings in the People's Court. Where our Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Supervisors in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of our Company for over 180 consecutive days shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

In the event that the board of Supervisors or the Board refuses to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the People's Court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the Shareholder(s) specified in the Articles of Association may file an action with the competent People's Court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management violates laws, administrative regulations or our Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent People's Court.

Shareholder(s) of our Company shall assume the following obligations:

(i) to abide by laws, administrative regulations and the Articles of Association;

(ii) to pay the share subscription price based on the Shares subscribed for by them and the method of acquiring such Shares;

(iii) not to return Shares unless prescribed otherwise in laws and administrative regulations;

(iv) not to abuse Shareholders' rights to infringe upon the interests of our Company or other Shareholders; not to abuse our Company's status as an independent legal entity or the limited liability of Shareholders to harm the interests of our Company's creditors;

(v) to assume other obligations required by laws, administrative regulations, the regulatory rules of the place where the Shares of our Company are [**REDACTED**], and the Articles of Association.

Where any Shareholder of our Company abuses the Shareholders' rights and incur losses to our Company or other Shareholders, such Shareholder shall be liable for the damages. Where Shareholders of our Company abuse our Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of our Company, such Shareholders shall be jointly and severally liable for the debts owed by our Company.

Restrictions on rights of Controlling Shareholders

The Controlling Shareholders and actual controllers of our Company shall not take advantage of their associated relationship to damage our Company's interests. Any loss caused to our Company as a result of such violation shall be compensated.

The Controlling Shareholders and actual controllers of our Company are obliged to act in good faith to our Company and the general public company Shareholders. The controlling Shareholders shall exercise their rights as capital contributors in strict accordance with the law and shall not impair the lawful rights and interests of our Company or of the general public company Shareholders by means of the distribution of profits, reorganisation of assets, external investment, misappropriation of assets, loan, or guaranty, nor shall he make use of his controlling position to impair the interests of our Company or of the general public company Shareholders.

General rules for the general meeting

The general meeting is the organ of the highest authority of our Company and shall exercise the following functions and powers:

(i) to decide on the operating policies and investment plans of our Company;

(ii) to elect and replace Directors and Supervisors who are not employee representatives, and to decide on matters relating to their remuneration;

(iii) to review and approve reports of the Board;

(iv) to review and approve reports of the board of Supervisors;

(v) to review and approve the annual financial budgets and final accounts of our Company;

(vi) to review and approve the profit distribution plans and loss recovery plans of our Company;

(vii) to adopt resolutions on increasing or reducing the registered capital by our Company;

(viii) to adopt resolutions on the issuance of bonds of our Company;

(ix) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of our Company;

(x) to amend the Articles of Association;

(xi) to adopt resolutions on the engagement or dismissal of the engagement of accounting firms by our Company;

(xii) to review and approve the external guarantees of our Company which required to be resolved by the general meeting;

(xiii) to review and approve all transactions of our Company with a percentage ratio of not less than 25% (including one-off transactions and a series of transactions that need to be aggregated for percentage ratio calculation) and connected transactions of not less than 5% (including one-off connected transactions, continuing connected transactions and a series of transactions that need to be aggregated for percentage ratio calculation) calculated in accordance with the percentage ratio provisions of Rule 14.07 of the Listing Rules;

(xiv) to review and approve the acquisition of the Company's Shares which required to be resolved by the general meeting;

(xv) to review our Company's share incentives schemes and employee shareholding schemes;

(xvi) to review and approve matters relating to the modification of use of raised fund;

(xvii) to review proposals from Shareholders representing more than 3% of the Company's total voting Shares; and

(xviii) to review other matters that required to be resolved by the general meeting as prescribed by the law, administrative regulations, department rules, securities regulatory rules of the place where the Shares of our Company are [**REDACTED**] and the Articles of Association.

The following external guarantees of our Company shall be considered and approved by the general meeting:

(i) any guarantee provided after the total amount of external guarantees by our Company and its holding subsidiaries exceeds 50% of the latest audited net assets;

(ii) any guarantee provided after the total amount of external guarantees by our Company exceeds 30% of the latest audited total assets;

(iii) any guarantee provided for a target party whose asset-liability ratio is over 70%;

(iv) any guarantee with a single guaranteed amount in excess of 10% of the latest audited net assets;

(v) any guarantee provided to Shareholders, actual controllers and their related parties;

(vi) any guarantee by our Company within one year with guaranteed amount in excess of 30% of the latest audited total assets of our Company; and

(vii) any guarantee that required to be resolved by the general meeting as prescribed by the law, administrative regulations, department rules, securities regulatory rules of the place where the shares of the Company are [**REDACTED**] and the Articles of Association.

Without prior approval by the general meeting, our Company shall not enter into a contract with any person (other than Director, Supervisor, general manager or other senior management members), to handover of the administration of all or important businesses of our Company to such person.

General meetings include annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once every year and within six months after the end of the preceding fiscal year.

Our Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(ii) the losses of our Company that have not been made up reach one-third of its total paid in share capital;

(iii) such is requested by a Shareholder alone or Shareholders jointly holding no less than 10% of our Company's voting Shares;

(iv) the Board considers it necessary;

(v) the board of Supervisors proposes that such a meeting shall be held; or

(vi) other circumstances as specified by laws, administrative regulations, department rules, the Listing Rules, and other securities regulatory rules of the place where the Shares of our Company are **[REDACTED]** or the Articles of Association.

Convening of general meetings

Shareholder(s) individually or jointly holding 10% or more of the Shares of our Company may sign one or more copies of written request in the same form and substance, and submit to the Board to convene an extraordinary general meeting, specifying the topics of meeting. The Board shall give a written response as to whether or not it agrees to convene such an extraordinary general meeting within 10 days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and the Articles of Association. The foregoing shareholding percentage shall be calculated as of the date on which the written requisition(s) is/are made by Shareholders.

If the Board does not agree to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of the request, the Shareholder(s) individually or collectively holding 10% or more of the Shares of our Company shall have the right to propose to the board of Supervisors to convene the extraordinary general meeting. Such request shall be made to the board of Supervisors in writing.

If the board of Supervisors agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant Shareholders. If the board of Supervisors fails to issue a notice of the general meeting within the prescribed time limit, it shall be deemed that the board of Supervisors not convening and presiding over the general meeting, and the Shareholder(s) individually or collectively holding 10% or more of the Shares of our Company for 90 consecutive days or longer period may convene and preside over the meeting by himself/herself/themselves.

In event of Shareholder(s) convening and holding a general meeting on its/their own due to the failure of the Board or the board of Supervisors to convene the meeting according to the above requirements, the reasonable expenses incurred for such meeting shall be borne by our Company.

Appointment of proxy

Any Shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more persons (who may or may not be a Shareholder of our Company) as his/her/its proxy to attend and vote on his/her/its behalf. If a Shareholder is an authorised clearing house (or its agent) as defined in the relevant regulations made from

time to time in Hong Kong, the Shareholder may appoint its company representative or one or more persons he deems appropriate to act as its proxy at any general meeting of Shareholders.

A Shareholder may appoint a proxy in writing, and the appointing Shareholder or his/her attorney proxy shall sign a proxy form in writing; if the appointing Shareholder is a corporate entity, such appointment shall be signed by its duly authorised representative.

The proxy form shall be deposited to the domicile of our Company or other place specified in the notice of meeting before the relevant meeting at which the proxy is authorized to vote, or before the specified time of voting. Where the proxy form is signed by the duly authorised representative of the appointing Shareholder (being corporate entity), the power of attorney or other documents of authorisation shall be certified. The certified power of attorney or other documents of authorisation shall be deposited together with the proxy form to the domicile of our Company or other place specified in the notice of meeting.

The legal representative, or the person authorised by the Board or other decision-making body of the appointing Shareholder (being corporate entity) will attend and vote at the general meeting, on behalf of such appointing Shareholder. Presence of such a proxy at any meeting will be deemed as presence of the appointing Shareholder per se.

A Shareholder being a recognised clearing house (or its agent) may appoint one person or more, it deems appropriate, as its proxy to attend and vote at any general meeting on its behalf; provided that, if more than one person is so appointed, the power of attorney shall contain the number and class of Shares involved by every such person so appointed. Any so appointed person may attend and exercise rights at the meeting on behalf of the recognised clearing house (or its agent), without presentation of Share certificate, certified authorisation and/or further evidence of official authorisation as if the person is an individual Shareholder of our Company. The duly authorised representative of a recognised clearing house may enjoy the same legal rights as other Shareholders, including the rights to speak and vote.

The format of any power of attorney issued by the Board for every Shareholder to appoint its proxy shall provide the Shareholder with the flexibility to instruct its proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting.

Such power of attorney shall specify that the proxy may vote at his/her own discretion in absence of directives from the Shareholder.

If the appointing Shareholder was deceased, incapacitated, or its appointment or authorisation was withdrawn, or relevant Shares were transferred before voting, the vote made by the proxy so appointed shall be still valid, as long as our Company did not receive a notice in writing of such event before meeting.

General meetings shall be presided over by the chairman of the Board. If the vice-chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director elected by a majority of the Directors.

Proposals and notices of general meetings

The contents of proposals shall fall within the authority of general meetings.

The Board, the board of Supervisors and Shareholders individually or jointly holding no less than 3% of the Shares of our Company shall be entitled to put forward proposals to our Company.

A Shareholder alone or Shareholders jointly holding no less than 3% of the Shares of our Company may submit interim proposals in writing to the convenor 10 days prior to the date of general meeting. The convenor shall issue a supplemental notice of general meeting within two days after receipt of the motion, with such interim proposals announced. As regards the publication of the supplementary notice of the Shareholders' general meeting, if there are special provisions in the securities regulatory rules of the place where our Shares are [**REDACTED**], such provisions shall prevail provided they do not violate the PRC Company Law, the Securities Law, the Trial Measures and the Guidelines on the Articles of Association.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

The convenor shall, by way of an announcement, issue a notice 21 days prior to the convening of the annual general meeting to notify every Shareholder or 14 days prior to the convening of the extraordinary general meeting to notify every Shareholder.

Notice of the general meeting shall include the following:

(i) the time, venue and duration of the meeting;

(ii) subject matters and proposals submitted for consideration and approval on the meeting;

(iii) particulars shall be in clear text that all Shareholders are entitled to attend general meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be Shareholders of our Company;

(iv) Shareholders are entitled to present on the equity determination date of general meetings;

(v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(vi) online or other means of voting time and voting procedures; and

(vii) other requirements stipulated by the law, administrative regulations, department rules, securities regulatory rules of the place where the shares of the Company are [**REDACTED**] and the Articles of Association.

Voting and resolutions of Shareholders' general meetings

Resolutions of a Shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting. Special resolutions shall be passed by votes representing not less than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting.

The following issues shall be approved by way of ordinary resolutions at a Shareholders' general meeting:

(i) work report of the Board and the board of Supervisors;

(ii) plans of earnings distribution and loss make-up schemes;

(iii) appointment or dismissal of the members of the Board and the board of Supervisors, and their remuneration and payment methods;

(iv) annual preliminary financial budgets, final account reports of our Company;

(v) annual report of our Company;

(vi) appointment and dismissal of accounting firms that provide regular audit services for the company and their remuneration; and

(vii) matters other than those prescribed by law, administrative regulations, the regulatory authorities of the place where our Company's securities are [**REDACTED**], the Listing Rules or the Articles of Association which shall be passed by special resolution.

The following issues shall be approved by way of special resolutions at a Shareholders' general meeting:

(i) increase or reduction in the share capital of our Company, and issuance of any kind of shares, warrants and other similar securities;

(ii) issuance of corporate bonds;

(iii) any division, split, merger, dissolution, liquidation, voluntary winding up or change in the form of our Company;

(iv) any amendment to our Articles of Association;

(v) any purchase or sale of major assets or any provision of external guarantee within any one year in an amount in excess of 30% of our Company's total assets as audited in the latest period;

(vi) any equity incentive scheme;

(vii) any other matter to be identified by an ordinary resolution of the Shareholders' general meeting as having a significant impact on our Company that shall be passed by a special resolution of the Shareholders' general meeting; and

(viii) other matters required by law, administrative regulations, the regulatory authority of the place where the company's securities are [**REDACTED**], the Hong Kong Listing Rules or the Articles of Association to be passed by special resolution.

Shareholders (including their proxies) exercise voting power at the Shareholders' general meeting with respect to the number of voting Shares represented by them (except where the company is required to waive its voting rights on individual matters in accordance with the securities regulatory rules of the place where its shares are [**REDACTED**]), and each Share has one vote. On a poll, Shareholders (including proxies) with two or more votes need not use all their voting rights in the same way.

The Shares held by our Company do not have voting power, and such Shares are not counted in the total number of voting Shares upon attendance at a Shareholders' general meeting.

When a related transaction is considered at a Shareholders' general meeting, the related Shareholders who has a material interest in the relevant connected transaction or arrangement shall not vote, and the voting Shares represented by them shall not be counted in the total number of valid voting Shares. The announcement of the resolution made at the Shareholders' general meeting shall adequately disclose information relating to voting by non-related Shareholders.

Other than the cumulative voting system, the Shareholders' general meeting shall vote on all proposals one by one. For different proposals on the same matter, voting shall be proceeded according to the time order of these proposals. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to a resolution, the Shareholders' general meeting shall not put aside the proposals or withhold from voting.

Shareholders' general meeting adopt vote by registered ballot. When voting at a Shareholders' general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with all of their votes.

When Shareholders' general meeting is voting on any proposals, Shareholders' representatives and Supervisors' representatives shall be jointly responsible for vote counting and scrutinising, and the voting results shall be announced in the meeting and recorded in the minutes.

DIRECTORS AND THE BOARD

Directors

Any natural person may not serve as a director of our Company if he/she:

(i) has no civil capacity or has limited civil capacity;

(ii) has been subject to criminal penalties due to corruption, bribery, embezzlement or misappropriation of property or sabotaging the socialist market economic order, or has been deprived of his/her political rights due to any crime conviction, where no more than five years have elapsed since the date of completion of the execution of such penalty or deprivation;

(iii) has served as a former director, the factory chief, or the manager of a company or enterprise bankrupt or liquidated, and was held personally liable for the bankruptcy, and three years have not elapsed since the date of completion of the bankruptcy or liquidation of such company or enterprise;

(iv) has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and was held personally liable for the revocation, and three years have not elapsed since the date of;

(v) has defaulted on a personal debt in a significant amount;

(vi) has been banned from entering the securities market by the relevant regulatory authority and the period has not elapsed; or

(vii) is banned from doing so as prescribed by laws, administrative regulations, departmental rules, regulatory authorities of the place where our Company's securities are **[REDACTED]** or the Hong Kong Listing Rules.

If a Director is elected or appointed in violation of the provisions of the preceding paragraph, such election, appointment or employment shall be null and void. Our Company shall dismiss a director from office if such circumstances arise during his or her term of office.

Directors shall be elected or replaced by the Shareholders' general meetings. The general meeting of Shareholders may, subject to the provisions of relevant laws and administrative regulations, by ordinary resolution remove any Director whose term of office has not expired (provided that any claim for damages by such Director pursuant to any contract shall not be affected thereby). The term of office of a Director shall be three years. Upon the expiration of the term of office, a Director shall be eligible to offer himself for re-election and reappointment.

The term of office of a Director shall commence from the date on which the said Director assumes office to the expiry of the current session of the Board. If the term of office of a Director expires but re-election is not made correspondingly on a timely basis, resulting in less than a quorum of the Board, the original Director shall still perform his or her duties as a Director in accordance with the laws, administrative regulations, departmental rules and regulations and the Articles of Association until the re-elected director assumes office.

A Director shall comply with the laws, administrative regulations, the regulatory rules of the place where our Company's securities are [**REDACTED**] and the Articles of Association and has the following fiduciary obligations to our Company:

(i) not to exploit his/her position to accept bribes or to obtain other illegal income, and not to expropriate our Company's property;

(ii) not to misappropriate our Company's funds;

(iii) not to open any account in his own name or in other's own name for the deposit of our Company's assets or funds;

(iv) not to violate the provisions of the Articles of Association by lending our Company's funds to others or using our Company's assets to provide guarantee for others without the consent of the Shareholders' general meeting or the Board;

(v) not to enter into a contract or transaction with our Company in violation of the provisions of the Articles of Association or without the consent of the Shareholders' general meeting;

(vi) not to use their position to obtain business opportunities which should be available to our Company for themselves or others, or to run his/her own or others' business which is similar to our Company's business without the consent of the Shareholders' general meeting;

(vii) not to accept commissions in connection with our Company's transactions;

(viii) not to disclose the secrets of our Company without consent;

(ix) not to use their connections to harm the interests of our Company; and

(x) to be bound by other fiduciary obligations stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where our Shares are [**REDACTED**] and the Articles of Association.

Any gain arising from the breach of the preceding paragraphs by the Director shall belong to our Company. He/she shall be liable for compensation for any loss of our Company arising therefrom.

A Director shall comply with the laws, administrative regulations, departmental rules, the regulatory rules of the place where our Company's securities are [**REDACTED**] and the Articles of Association and shall diligently perform the following obligations to our Company:

(i) to exercise prudently, conscientiously and diligently the rights granted by our Company to ensure our Company's commercial acts in compliance with the State laws, administrative regulations, departmental rules and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business licence;

(ii) to treat all Shareholders equally;

(iii) to understand the business operation and management of our Company in a timely manner;

(iv) to sign written confirmation on regular reports of our Company and to ensure the integrity, accuracy and completeness of the information disclosed by our Company;

(v) to provide relevant conditions and information to the board of Supervisors truthfully and shall not intervene the performance of the board of Supervisors or Supervisors of their functions and powers; and

(vi) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules, the Listing Rules and the Articles of Association.

If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board for two consecutive times, such Director shall be deemed as unable to perform his duties, and the Board shall propose to replace such Director at the Shareholders' general meeting.

A Director may submit his/her resignation before the expiry of his/her term of office. Where a Director resigns, he/she shall submit a written resignation report to the Board. The Board shall disclose the relevant information within two days.

When a Director's resignation becomes effective or his or her term of office expires, he or she shall complete all procedures for transfer to the Board. His or her obligation to keep our Company's trade secrets confidential shall remain in effect after the end of his or her term of office until such secrets become public information.

No Director shall act in his/her own name for our Company or the Board without authorisation by the Board or unless otherwise provided in the Articles of Association. Where a Director acts in his/her own name in a situation where a third party may reasonably believe that such director is acting for our Company or the Board, such Director shall declare in advance his/her stance and identity.

The Board

Our Company shall have a board accountable to the Shareholders' general meeting. The Board shall consist of nine Directors, including three independent non-executive directors and a chairman.

The Board shall perform the following duties:

(i) to convene Shareholders' general meetings and report to Shareholders' general meetings;

(ii) to implement the resolutions of the Shareholders' general meetings;

(iii) to determine business operation plans and investment plans of our Company;

(iv) to formulate annual preliminary and final financial budgets of our Company;

(v) to formulate the profit distribution plans and plans for recovery of losses of our Company;

(vi) to formulate plans of our Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and [**REDACTED**];

(vii) to formulate plans for major acquisitions of our Company, the purchase of Shares of our Company, merger, division, dissolution or change in the form of our Company;

(viii) to determine such matters as our Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorised by the Shareholders' general meeting and the Articles of Association;

(ix) to decide on the setup of our Company's internal management organisation;

(x) to determine appointment or dismissal of our Company's general manager and secretary to the Board and other senior management as well as determine their remuneration matters and disciplinary matters and, based on the nominations of the general manager, to appoint or dismiss vice general manager, financial controller and other senior management and to determine their remuneration, rewards and punishments;

(xi) to formulate the basic management systems of our Company;

(xii) to formulate plans for any amendments to the Articles of Association;

(xiii) to manage the disclosure of information of our Company;

(xiv) to propose at the Shareholders' general meeting the appointment or replacement of the accounting firm that performs audits for our Company;

(xv) to receive the work report of the general manager of our Company and examine on the general manager's work;

(xvi) to consider and approve (1) all share transactions where the consideration includes shares to be [**REDACTED**] (including one-off transactions and a series of transactions for which the percentage ratios need to be aggregated) with a percentage ratio of less than 5% calculated in accordance with the relevant percentage ratio requirements under Rule 14.07 of the Listing Rules; (2) discloseable transactions where the percentage ratio is 5% or more but less than 25% (including one-off transactions and a series of transactions for which the percentage ratios need to be aggregated); and (3) certain exempt connected transactions and non-exempt connected transactions (including one-off transactions and a series of transactions for which the percentage ratios need to be aggregated) where the percentage ratios (except the profit ratio) are greater than 0.1% and less than 5% calculated in accordance with the relevant percentage ratio requirements under Rule 14.07 of the Listing Rules; and

(xvii) other duties and powers that should be exercised by the Board stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where our Shares are [**REDACTED**] or the Articles of Association.

The above resolutions adopted by the Board, except items (vi), (vii) and (xii) which must be approved by not less than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

The Board shall make an explanation at the Shareholders' general meeting for the non-standard audit opinions on the financial report of our Company issued by the certified public accountant.

The Board shall formulate the rules of procedures of the Board meeting to ensure the implementation of resolutions of the Shareholders' general meeting, enhance the working efficiency and ensure the scientific decision making.

The Board shall hold regular meetings, and regular meetings of the Board shall be held at least four times a year, approximately once a quarter, convened by the Chairman of the Board, with written notice to all Directors and Supervisors and, if necessary, to the general manager and other senior management, fourteen days prior to the meeting.

Meetings of the Board shall be held in the presence of a majority of the Directors. Except as otherwise provided in the Articles of Association, resolutions made by the Board shall be adopted by a majority of all Directors. Voting on resolutions of the Board shall be conducted on a one-person-one-vote basis.

A Director who is connected to the enterprises involved in a resolution of the meeting of the Board shall neither exercise his/her voting rights nor exercise another Director's voting rights as a proxy. Such meeting of the Board shall be held only when more than half of the disinterested Directors, and the resolution of the meeting of the Board shall be approved by more than half of such disinterested Directors. In case of less than three disinterested Directors present at the meeting, such matter shall be submitted to the Shareholders' general meeting for deliberation.

A Director shall attend the meeting of the Board in person. If a Director is unable to attend a meeting of the Board, he/she may appoint another Director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the name of the proxy, the matters for entrustment, the scope of authorisation and validity period, and shall be signed or sealed by the principal. A director who attends a meeting on behalf of a director shall exercise the rights of a director within the scope of the authorisation. A director who is not present at a meeting of the Board and who does not attend by proxy shall be deemed to have abstained from voting at such meeting.

Borrowing power

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

(i) provisions which authorise the Board to formulate proposals for the issuance of debentures and other securities by our Company; and

(ii) provisions which provide that the issuance of debentures and other securities shall be approved by the general meeting by a special resolution.

THE GENERAL MANAGER AND OTHER SENIOR MANAGEMENT PERSONNEL

Our Company shall have one general manager, who shall be appointed or dismissed by the Board. Our Company has a number of senior management personnel, who are appointed or dismissed by the Board. The general manager, deputy general manager, secretary of the Board, head of finance, assistant general manager and other senior management personnel recognised by the Board are senior management personnel of our Company.

The provisions of the Articles of Association regarding the circumstances under which a Director may not serve as a Director shall also apply to the general manager and other senior management personnel. The provisions of the Articles of Association concerning the duties of fidelity and diligence of Directors shall also apply to the general manager and other senior management personnel.

The term of office of the general manager is three years and may be renewed upon reappointment. The general manager of our Company shall be responsible to the Board and exercise the following functions and powers:

(i) to be in charge of our Company's production operation and management, to organise the implementation of the board's resolutions and to report his/her work to the Board;

(ii) to organise the implementation of our Company's annual operating plans and investment programs;

(iii) to draft the plan for establishing our Company's internal management body;

(iv) to develop our Company's basic management system;

(v) to develop our Company's specific rules;

(vi) to suggests to the Board on the appointment or removal of any deputy manager and the financial controller;

(vii) to appoint or dismiss officers other than those to be appointed or dismissed by the Board; and

(viii) to exercise any other duties authority granted by the Articles of Association and the Board.

General manager of our Company shall attend meetings of the Board.

Our Company shall have a secretary to the Board, who shall be responsible for, among others, the preparation of general meetings and board meeting, the retention of documents, the management of Shareholders' information and the disclosure of information.

The senior management personnel of our Company shall faithfully perform their duties and act in the best interests of our Company and all Shareholders. Where any senior management personnel fails to perform his/her duties faithfully or breaches his/her obligation of good faith, and thereby causes damage to our Company's interests or the Shareholders of [**REDACTED**], he/she shall be liable for compensation according to the law.

SUPERVISORS AND THE BOARD OF SUPERVISORS

Supervisors

The circumstances regarding disqualification for the position of Director in the Articles of Association shall also apply to Supervisors. No Director, general manager and any other senior management personnel may concurrently serve as a Supervisor.

Supervisors shall comply with laws, administrative regulations and the Articles of Association, and shall bear the obligations of loyalty and diligence to our Company. They shall not take any bribe or other illegal gains by taking advantage of their authority, nor shall they misappropriate Company property.

The term of office of a Supervisor shall be three years. Upon expiration of a Supervisor's term of office, the Supervisor may serve another term of office if re-elected. Where a new Supervisor has not yet been elected upon the expiration of a Supervisor's term of office, or the number of Supervisors on the board falls below the quorum due to the resignation of a Supervisor during his/her term of office, the said Supervisor shall continue to perform his/her duties in accordance with laws, administrative regulations and the Articles of Association before the newly elected Supervisor takes his/her office.

No Supervisor may take advantage of his/her connected relationships to damage our Company's interests and, where any loss is incurred as a result of any such violation, shall be liable for compensation.

The board of Supervisors

Our Company shall have a board of Supervisors. The board of Supervisors shall consist of three Supervisors, including a chairman. The chairman of the board of Supervisors shall be elected and dismissed by a majority of all Supervisors. The board of Supervisors shall be composed of Shareholder representatives and Company staff representatives. The number of staff representatives shall be no less than one third of all Supervisors.

The board of Supervisors shall exercise the following powers:

(i) to review the periodical reports of our Company prepared by the Board and to provide comments in writing;

(ii) to inspect the financial position of our Company;

(iii) to supervise the performance of the Directors and senior management and to advise the dismissal of any Directors or senior management who violate the laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' general meetings;

(iv) to demand rectification of the Directors and senior management where their conducts are detrimental to the interests of our Company;

(v) to propose to convene an extraordinary general meeting and to convene and preside over the Shareholders' general meeting if the Board fails to do so as required by the PRC Company Law;

(vi) to submit proposals at a Shareholders' general meeting;

(vii) to institute proceedings against directors and senior management in accordance with the provisions of the PRC Company Law;

(viii) to investigate if there is any abnormal condition of our Company's operation; and if necessary, to engage on accounting firm, law firm or other professional institution to assist in its works at the expenses of our Company; and

(ix) other powers granted by laws, administrative regulations, departmental rules and regulations, the listing rules of the place where our Shares are [**REDACTED**] or the Articles of Association.

The meetings of the Supervisory Board are divided into regular meetings and ad hoc meetings. Regular meetings of the Supervisory Board are held at least once every six months. Supervisors may propose to convene a temporary meeting of the Supervisory Board.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT

Finance and accounting systems

Our Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the requirements of the relevant governmental authorities.

Our Company's accounting year is based on the calendar year system. Our Company shall prepare a financial accounting report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with the law. The financial accounting report shall be prepared in accordance with the provisions of relevant laws, administrative regulations and departmental regulations.

Our Company publishes two results announcements per fiscal year, that is, within 60 days after the end of the first six months of each fiscal year, and within 120 days after the end of the fiscal year. Where the above announcement is otherwise provided by relevant laws, administrative regulations, the securities regulatory authority of the place where the Shares are [**REDACTED**] and the Stock Exchange, those provisions shall prevail.

Our Company shall not keep accounts other than those required by laws. The assets of our Company shall not be kept under the name of any individuals.

Reserves

In the distribution of the profit after tax of the year, 10% of the profit shall be contributed to statutory reserve of our Company. When the aggregate statutory reserve of our Company has reached 50% or more of the registered capital, our Company may cease to make further contribution.

Where the statutory reserve is insufficient to recover the losses for the previous year, the losses shall be made up by the profits of that year before contributing to the statutory reserves as stipulated above.

Subject to the resolution of Shareholders' general meeting, our Company may also appropriate funds to discretionary surplus reserve from profit after tax upon the appropriate of fund to statutory reserve.

Our Company may distribute profits after tax in accordance with the proportion of shareholdings after making up for losses and making allocations to reserves, except where the distribution is not proportionate according to laws and regulations, the regulatory rules of the place where the company's securities are [**REDACTED**], the Listing Rules or the Articles of Association.

If the Shareholders' general meeting violates the above provisions and profits are distributed to the Shareholders before our Company making up for losses and making allocations to the statutory reserve, the profits distributed in violation of the provisions shall be returned to our Company by such Shareholders.

The Shares held by our Company itself shall not be subject to profit distribution.

Our Company's reserves must be used only for offsetting losses of our Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of our Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

Dividends and other methods of profit distribution

Our Company may distribute dividends in cash, in Shares or in combination of cash and Shares.

The foreign currency required for the payment of cash dividends and other payments by our Company to Shareholders of overseas [**REDACTED**] Shares shall be handled in accordance with the relevant national regulations on foreign exchange management.

Internal audits

Our Company shall adopt an internal audit system and designate auditors to supervise the internal audits of incomes and expenses as well as the business activities of our Company.

The internal audit system of our Company and the duties of auditors shall come into effect upon the approval of the Board. The person in charge of audits shall be accountable to and report to the Board.

Appointment of accounting firm

Our Company shall engage an accounting firm that meets the requirements of laws and regulations and the regulatory rules of the place where our Company's securities are [**REDACTED**] and has a good reputation to conduct the audit of accounting statements, verification of net assets and other related consulting services for a period of one year, which may be renewed.

The hiring, dismissal or non-renewal of the accounting firm by our Company must be decided by the general meeting of Shareholders. The remuneration of an accounting firm shall be determined by the Shareholders' general meeting.

A prior 15 days in advance notice shall be given to the accounting firm if our Company decides to remove such accounting firm or not to renew the appointment. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is voted at the Shareholders' general meeting.

If the position of an appointed accounting firm is vacant, the Board may appoint an accounting firm and determine its remuneration before the start of Shareholders' general meeting, provided that such appointment shall be confirmed by the next Shareholders' general meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may still perform.

If the accounting firm resigns, it shall explain to the Shareholders' meeting whether our Company has any improper circumstances.

MERGERS, DIVISIONS, CAPITAL INCREASES AND REDUCTIONS, DISSOLUTIONS AND LIQUIDATIONS

Mergers, divisions, capital increases and reductions

Companies may be merged by way of absorption or by consolidation. In a merger of companies, all parties to the merger shall conclude a merger agreement and prepare their respective balance sheets and checklists of assets. The companies shall, within 10 days of adopting the merger resolution, notify their creditors and make an announcement within 30 days. The creditors may, within 30 days of the receipt of the notice or within 45 days as of the issuance of the announcement if they do not receive the notice, require our Company to pay off debts or provide corresponding security.

Where the Company is divided, its assets shall be divided accordingly. Where the Company is divided, a balance sheet and a checklist of assets shall be prepared. Our Company shall notify the creditors within 10 days of the date when the division resolution is made and make an announcement within 30 days.

Where the Company needs to reduce its registered capital, a balance sheet and a checklist of assets must be prepared. Our Company shall notify its creditors within 10 days of making the resolution to reduce its registered capital and shall make an announcement within 30 days. The creditors shall, within thirty days of the receipt of the notice or within 45 days of the issuance of the announcement if they do not receive the notice, require our Company to pay off debts or to provide corresponding security.

Our Company's registered capital shall not be lower than the statutory minimum level required by law after capital reduction.

Where the Company increases or reduces its registered capital, it shall go through registration amendments with the company registration authority in accordance with the law.

Dissolutions and liquidations

Our Company shall be dissolved for the following reasons:

(i) the expiration of the business period or other reasons for dissolution specified in the Articles of Association;

(ii) the Shareholders' general meeting adopts a resolution to dissolve our Company;

(iii) dissolution is required due to the merger or division of our Company;

(iv) our Company's business licence is revoked, or it is ordered to close down or wind up in accordance with the laws; or

(v) where our Company gets into serious trouble in operation and management and its continuation may cause substantial loss in Shareholders' interests, and no solution can be found through any other channel, Shareholders holding more than 10% of the total voting rights of our Company may request the People's Court to dissolve our Company.

The voluntary dissolution of our Company shall be adopted by a special resolution of the general meeting of Shareholders. If otherwise agreed by laws, regulations or regulatory rules of the place where our Company's securities are [**REDACTED**], the agreement shall be observed at the same time.

Upon the occurrence of the first situation described above, our Company may continue to exist by amending the Articles of Association. Amendments to the Articles of Association in accordance with the provisions of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by the Shareholders attending the general meeting.

If our Company is being dissolved under the first, second, fourth or fifth circumstance described above, a liquidation group shall be set up within 15 days from the date of the cause of dissolution occurred to carry out the liquidation. The liquidation group consists of the personnel determined by the Directors or by the Shareholders' general meeting. If a liquidation group is not set up within the specified period, the creditors may apply to the People's Court for appointment of relevant persons to form a liquidation group to carry out the liquidation.

The liquidation group shall perform the following duties during the liquidation:

(i) to check the assets of our Company and prepare a balance sheet and an inventory of assets;

(ii) to notify the creditors by notice or announcement;

(iii) to deal with the outstanding affairs of our Company connected with the liquidation;

(iv) to settle outstanding taxes as well as taxes arising in the course of liquidation;

(v) to settle all creditors' rights and debts;

(vi) to dispose of the remaining assets of our Company after the settlement of debts; and

(vii) to represent our Company in any civil proceedings.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and make public announcement within 60 days of its establishment. Creditors shall report their claims to the liquidation group within 30 days after receipt of the notice, or within 45 days from the date of the announcement if they do not receive the notice.

Creditors shall provide explanation for the relevant particulars and evidence of the claims upon declaration of such claims. The liquidation group shall register the creditors' claims. During the period for declaration of claims the liquidation group shall not make any repayment to creditors.

After checking the assets of our Company and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan for the confirmation of Shareholders' general meetings or the People's Court.

The remaining assets of our Company, after payment of liquidation expenses, wages, social insurance contribution and statutory compensation, and taxes and debts of our Company, shall be distributed to Shareholders according to the proportion of their shareholdings.

During the liquidation period, our Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of our Company shall not be distributed to Shareholders before the settlement of debts in accordance with the preceding paragraph.

If the liquidation group, after checking the assets of our Company and preparing a balance sheet and an inventory of assets, discovers that our Company's assets are insufficient to settle its debts, it shall immediately apply to the People's Court for a declaration of bankruptcy. After our Company is declared bankrupt by ruling of the people's court, the liquidation group shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation group shall prepare a liquidation report, report it to the general meeting of Shareholders or the people's court for confirmation, and submit it to our Company registration authority to apply for deregistration of our Company and announce the termination of our Company.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

In any of the following circumstances, our Company shall amend the Articles of Association:

(i) if upon amendments to the PRC Company Law, administrative regulations, departmental rules, regulatory documents or listing rules of the stock exchange of the place where our Company's Shares are [**REDACTED**], any terms contained in the Articles of Association become inconsistent with the provisions abovementioned;

(ii) a change in our Company causes inconsistency with those contained in the Articles of Association; or

(iii) a resolution being passed by the Shareholders' general meeting to amend our Articles of Association.

Where the amendments to the Articles of Association passed by the Shareholders' general meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated as a limited liability company in the PRC on 8 September 2006 and was converted into a joint stock limited company on 4 December 2017 under the laws of the PRC. Our registered address is at Jinggangshan Economic and Technological Development Zone, Ji'an, Jiangxi, the PRC.

Our Company has established a place of business in Hong Kong at 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 June 2024. Ms. Wong Wai Yee Ella has been appointed as our authorised representative in Hong Kong and our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. Please refer to the section headed "Summary of articles of association" in Appendix V to this document for the summary of the relevant provisions of our Articles of Association. Please refer to the section headed "Summary of the principal legal and regulatory provisions" in Appendix IV to this document for the summary of certain relevant aspects of the laws and regulations of the PRC.

2. Changes in share capital of our Company

As at the date of incorporation, our Company had a registered capital of RMB5,760,000.

There has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

Immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, our registered capital will increase to RMB[**REDACTED**], comprising [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares fully paid up or credited as fully paid up.

3. Changes in share capital of our subsidiaries

The following sets forth the change in the share capital of the subsidiary of the Company within two years immediately preceding the date of this document:

On 15 December 2023, the registered capital of Newtrend Health was increased from RMB3,000,000 to RMB30,000,000.

On 24 January 2025, the issued share capital of Newtrend Nutrition was increased from IDR17,500,000,000 to IDR70,000,000,000.

4. Resolutions of our Shareholders

Pursuant to a general meeting held on 21 June 2024, among other things, our Shareholders resolved to approve the following:

(a) the issue of H Shares with a nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(b) approving and adopting the Articles of Association, which shall only become effective from the [**REDACTED**], and authorising the Board or any other person authorised by the Board to amend the Articles of Association according to applicable laws and regulations as well as comments and requirements from relevant governmental authorities and regulatory authorities; and

(c) approving the Board and its authorised persons to handle all matters relating to, among other things, the [**REDACTED**] and [**REDACTED**] of H Shares on the Stock Exchange.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within two years preceding the date of this document:

(a) [**REDACTED**]

(b) [**REDACTED**]

(c) the Deed of Indemnity; and

(d) the [**REDACTED**].

2. Intellectual property rights of our Group

(a) Trademarks registered by our Group

As at the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Registered owner	Class	Trademark registration number	Registration date	Expiry date
1.	Newtrend	Our Company	Class 1	9246680	28 March 2012	27 March 2032
2.	Newtrend 纽全德	Our Company	Class 1	9246684	28 March 2012	27 March 2032
3.	Newtrend 纽全德	Our Company	Class 5	9246685	28 March 2012	27 March 2032
4.	Newtrend 纽全德	Our Company	Class 30	9246686	28 March 2012	27 March 2032
5.	Newtrend 纽全德	Our Company	Class 32	9246687	28 March 2012	27 March 2032
6.	Newtrend	Newtrend Thailand	Class 1	171125818	8 July 2014	7 July 2034
7.	安晟 Ansun	Jiangxi Ansun	Class 1	4826170	28 June 2009	27 June 2029
8.	Seatrose	Newtrend Health	Class 1	78794195	28 November 2024	27 November 2034

(b) Domain name

As at the Latest Practicable Date, we have registered the following domain name which is material to our business:

No.	Registered owner	Domain name	Date of approval	Filing/licence number
1.	Our Company	newtrend-group.com	16 January 2023	贛ICP備2023000526號-1

(c) Patents

As at the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
1.	A synthesis of sucrose-6-ethyl ester (一種蔗糖-6-乙酯的合成方法)	Our Company	ZL 200710074157.9	Original acquisition	Invention	25 April 2007
2.	A crystalline granular tabletop sweetener and its preparation method (一種晶體顆粒狀餐桌甜味料及其製備方法)	Our Company	ZL 201110121377.9	Original acquisition	Invention	11 May 2011
3.	Treatment of waste activated carbon from sucralose production process (一種三氯蔗糖生產過程中產生的廢棄活性碳的處理方法)	Our Company	ZL 201510200709.0	Original acquisition	Invention	24 April 2015
4.	A filter for sucralose production (一種三氯蔗糖生產用過濾機)	Our Company	ZL 202120055708.2	Original acquisition	Utility model	11 January 2021

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
5.	A low energy consumption extraction equipment for sucralose production (一種三氯蔗糖用低耗能萃取設備)	Our Company	ZL 202120055697.8	Original acquisition	Utility model	11 January 2021
6.	A drying equipment for sucralose application (一種應用於三氯蔗糖的烘乾設備)	Our Company	ZL 202120056010.2	Original acquisition	Utility model	11 January 2021
7.	A chemical production vessel hanging device (一種化學生產用容器吊掛裝置)	Our Company	ZL 202120056051.1	Original acquisition	Utility model	11 January 2021
8.	A kind of food grade low temperature sprinkler horizontal centrifuge for sucralose drying section (一種三氯蔗糖烘乾工段食品級低溫灑水臥式離心機)	Our Company	ZL 202120055713.3	Original acquisition	Utility model	11 January 2021
9.	A sucralose continuous neutralisation reaction device (一種三氯蔗糖連續中和反應裝置)	Our Company	ZL 202120056081.2	Original acquisition	Utility model	11 January 2021
10.	A kind of sucralose decolorization device (一種三氯蔗糖脱色裝置)	Our Company	ZL 202120056075.7	Original acquisition	Utility model	11 January 2021
11.	A kind of sucralose granulator (一種三氯蔗糖製粒機)	Our Company	ZL 202120055681.7	Original acquisition	Utility model	11 January 2021

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
12.	A kind of filtration device for sucralose production (一種三氯蔗糖生產用過濾裝置)	Our Company	ZL 202120056102.0	Original acquisition	Utility model	11 January 2021
13.	A kind of cooling water tower for sucralose production (一種三氯蔗糖生產用涼水塔)	Our Company	ZL 202120055706.3	Original acquisition	Utility model	11 January 2021
14.	A kind of sucralose chlorination section tail gas recycling and reuse device (一種三氯蔗糖氯化工段尾氣回收再利用裝置)	Our Company	ZL 202120055709.7	Original acquisition	Utility model	11 January 2021
15.	A kind of high pressure steam mains fixing device in sucralose production plant (一種三氯蔗糖生產裝置內高壓蒸汽主管道固定裝置)	Our Company	ZL 202120056009.X	Original acquisition	Utility model	11 January 2021
16.	A kind of plate and frame filter plate for sucralose production (一種用於三氯蔗糖生產的板框式過濾機濾板)	Our Company	ZL 202120055682.1	Original acquisition	Utility model	11 January 2021
17.	A kind of residual heat energy saving device for sucralose production (一種三氯蔗糖生產餘熱節能利用裝置)	Our Company	ZL 202120055707.8	Original acquisition	Utility model	11 January 2021
18.	An esterification kettle for sucralose production (一種應用於三氯蔗糖的酯化釜)	Our Company	ZL 202120056087.X	Original acquisition	Utility model	11 January 2021

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
19.	A preparation method of high purity and high yield turmeric pigment and its application in alcohol and liver protection (高純度高收率薑黃色素的製備方法及其在解酒護肝中的應用)	Our Company and Jiangxi Academy of Sciences, Institute of Applied Chemistry (江西省科學院應用化學研究所)	ZL 202210248845.7	Original acquisition	Invention	14 March 2022
20.	A method for crystallisation of sucralose (一種三氯蔗糖的結晶方法)	Our Company	ZL 202210700124.5	Original acquisition	Invention	20 June 2022
21.	An apparatus for purifying sucralose by solvent heat reflux and a method of using the same (一種溶劑熱回流純化三氯蔗糖的設備及其使用方法)	Our Company	ZL 202210761620.1	Original acquisition	Invention	29 June 2022
22.	An apparatus and method for recovering dimethylamine from sucralose production wastewater (一種從三氯蔗糖生產廢水中回收二甲胺的設備及方法)	Our Company	ZL 202210802441.8	Original acquisition	Invention	7 July 2022
23.	A method of deep treatment and desalination of sucralose extraction wastewater (一種三氯蔗糖萃取廢水深度處理及脫鹽的方法)	Our Company	ZL 202210855509.9	Original acquisition	Invention	20 July 2022

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
24.	A treatment method of sucralose mother liquor wastewater after pretreatment of biodegradation (一種生物降解預處理後三氯蔗糖母液廢水的處理方法)	Our Company	ZL 202210914080.6	Original acquisition	Invention	1 August 2022
25.	A sucralose wastewater treatment device (一種三氯蔗糖廢水的處理裝置)	Our Company	ZL 202210953650.2	Original acquisition	Invention	10 August 2022
26.	A new mother liquor extraction process for sucralose (一種三氯蔗糖新型母液萃取工藝)	Our Company	ZL 202211082940.0	Original acquisition	Invention	6 September 2022
27.	A high concentration wastewater electrodialysis desalting device (一種高濃廢水電滲析脫鹽裝置)	Our Company and Nanchang Hangkong University (南昌航空大學)	ZL 202222973092.4	Original acquisition	Utility model	9 November 2022
28.	Preparation method and application of original monomer ratio turmeric pigment in turmeric (薑黃中原始單體比例薑黃色素的製備方法與應用)	Our Company and Jiangxi Academy of Sciences, Institute of Applied Chemistry (江西省科學院應用化學研究所)	ZL 202310324429.5	Original acquisition	Invention	30 March 2023

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
29.	An installation for the preparation of glycine in aqueous phase with catalysts (一種催化劑水相製備甘氨酸的裝置)	Jiangxi Ansun	ZL 202021689233.4	Original acquisition	Utility model	13 August 2020
30.	An environmentally friendly extraction and deterioration equipment for glycine (一種甘氨酸環保萃取陳化設備)	Jiangxi Ansun	ZL 202021691747.3	Original acquisition	Utility model	13 August 2020
32.	A device for recycling waste liquid of glycine (一種回收甘氨酸廢液的裝置)	Jiangxi Ansun	ZL 202021691690.7	Original acquisition	Utility model	13 August 2020
32.	A device for the environmentally friendly preparation of glycine using catalysts (一種利用催化劑環保製備甘氨酸的裝置)	Jiangxi Ansun	ZL 202021689491.2	Original acquisition	Utility model	13 August 2020
33.	A kind of environmentally friendly clean production facility for glycine (一種甘氨酸的環保清潔生產裝置)	Jiangxi Ansun	ZL 202021689724.9	Original acquisition	Utility model	13 August 2020

No.	Patent name	Registered owner	Patent registration number	Acquisition method	Patent type	Application date
34.	A kind of three-effect countercurrent evaporation distillation mother liquor of glycine crystallisation recycling treatment device (一種三效逆流蒸發精餾甘氨酸結晶母液的回收處理裝置)	Jiangxi Ansun	ZL 202021694034.2	Original acquisition	Utility model	13 August 2020
35.	A kind of decolorisation and regeneration recycling device for mother liquor of glycine (一種甘氨酸母液脱色再生循環利用裝置)	Jiangxi Ansun	ZL 202021694035.7	Original acquisition	Utility model	13 August 2020
36.	An alcoholic phase washing device for glycine crude products (一種醇相法洗滌甘氨酸粗品的裝置)	Jiangxi Ansun	ZL 202021702937.0	Original acquisition	Utility model	13 August 2020
37.	An in-Line monitoring device for glycine production line effluent (一種甘氨酸生產線污水在線監測裝置)	Jiangxi Ansun	ZL 202021690254.8	Original acquisition	Utility model	13 August 2020
38.	A device for pollution-free emission of filter tail gas (一種壓濾機尾氣無污染排放裝置)	Jiangxi Ansun	ZL 202021702936.6	Original acquisition	Utility model	13 August 2020

Save as disclosed in the tables above, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material in relation to our business as at the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Disclosure of interests of Directors and Supervisors

Immediately following completion of the **[REDACTED]** assuming that the **[REDACTED]** is not exercised, save as disclosed below, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the Shares are **[REDACTED]** on the Stock Exchange.

(i) Interests in our Company

Name	Position	Capacity/ nature of interest	Number and class of shares/ underlying shares[(1)]	Approximate percentage of shareholding interest in the total share capital	Approximate percentage of shareholding in our Domestic Shares/ H Shares
Mr. Wang	Executive Director	Beneficial interest	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
		Interest in controlled corporation[(2)]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
		Interests of spouse[(3)]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ms. Chen Lijun (陳麗君)	Executive Director	Beneficial interest	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests are long positions.

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

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

(ii) Interests in our associated corporation of our Company

Name	Position	Name of associated corporation	Capacity/ nature of interest	Approximate percentage of interest in the associated corporation
Mr. Wu Dingfeng (吳丁峰)	Executive Director	Juhexing Investment	Beneficial interest (1)	**[REDACTED]**
Mr. Shi Yueqiang (施越強)	Supervisor	Juhexing Investment	Beneficial interest (2)	**[REDACTED]**
Ms. Guo Lideng (郭麗燈)	Supervisor	Juhexing Investment	Beneficial interest (3)	**[REDACTED]**

(1) Mr. Wu Dingfeng is a limited partner of Juhexing Investment, holding approximately **[REDACTED]** of its partnership interests.

(2) Mr. Shi Yueqiang is a limited partner of Juhexing Investment, holding approximately **[REDACTED]** of its partnership interests.

(3) Ms. Guo Lideng is a limited partner of Juhexing Investment, holding approximately **[REDACTED]** of its partnership interests.

(b) Interests and short positions of the substantial shareholders

Save as disclosed in the section headed "Substantial shareholders" in this document, our Directors are not aware of any persons (other than our Directors, Supervisors and chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, will have or be deemed or taken to have interests and/or short position in our Shares or underlying Shares which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any types of the issued voting shares of any member of our Group.

2. Particulars of service contracts

Each of our Directors and Supervisors has entered into a service contract with our Company. The service contracts may be renewed in accordance with their respective terms, the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors or Supervisors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Remuneration of Directors and Supervisors

Save as disclosed in the sections headed "Directors, Supervisors and senior management" and "Appendix I — Accountants' Report — Notes to the historical financial information — 12. Directors' emolument and 36.(e) Compensation of key management personnel" for FY2022, FY2023 and FY2024, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

During the Track Record Period, no fees were paid by our Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

4. Disclaimers

Save as disclosed in this document:

(i) none of our Directors or Supervisors or the experts named in the paragraph headed "7. Qualifications of experts" has been interested in the promotion of, or has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for [**REDACTED**] either in his/her own name or in the name of a nominee;

(ii) none of our Directors or Supervisors or the experts named in the paragraph headed "7. Qualifications of experts" is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iii) none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(iv) so far as is known to our Directors, none of our Directors, Supervisors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in this document, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

3. Indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with our Company in favour of us to provide indemnities on a joint and several basis in respect of, among others, taxation resulting from income, profits or gains earned, accrued or received as well as any claims, penalties, fines, damages, losses, expenses or other liabilities relating to the non-compliance incidents of any member of the Group which occurred on or before the [**REDACTED**], conditional upon the [**REDACTED**] becoming unconditional.

4. Preliminary expenses

Our Company did not incur any material preliminary expenses.

5. Promoter

The promoters as of the time of our Company's conversion into a joint stock company are:

1. Newtrend Industrial
2. Mr. Wang
3. Guoxin Hongsheng
4. Juhexing Investment
5. He Qingfeng (賀慶鳳)
6. Chen Lijun (陳麗君)
7. Huang Wenzeng (黃文增)
8. Chen Yiyuan (陳一元)
9. Yang Haijun (楊海軍)
10. Pingtan Xinghang Longteng Equity Investment Partnership (Limited Partnership)* (平潭興杭龍騰股權投資合夥企業(有限合夥))
11. Shenzhen Xiuneng Newtrend Investment Enterprise (Limited Partnership)* (深圳市修能新琪安投資企業(有限合夥))
12. Zhang Chaoyi (張朝益)
13. Huang Yanlu (黃妍露)
14. Guangzhou Fuxing Investment Partnership (Limited Partnership)* (廣州富興投資合夥企業(有限合夥))

Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter named above in connection with the [**REDACTED**] and the related transactions described in this document.

6. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares. All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of HK$[**REDACTED**] million for acting as a sponsor for the [**REDACTED**].

7. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions and/or advice in this document are as follows:

Name	**Qualification**
CMBC International Capital Limited	A corporation licensed under SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Confucius International CPA Limited	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Grandall Law Firm (Shenzhen)	Legal advisers to our Company as to PRC law
DTL Law Office Co., Ltd.	Legal advisers to our Company as to Thailand law
GHP Law Firm	Legal advisers to our Company as to Indonesian law
Buren N. V.	Legal advisers to our Company as to Netherlands law
Ashurst Hong Kong	Legal advisers to our Company as to International Sanctions laws
ICW Law Corporation	Legal advisers to our Company as to US anti-dumping laws and regulations
China Insights Industry Consultancy Limited	Independent industry consultant
SHINEWING Risk Services Limited	Independent internal control consultant

8. Consents and interests of experts

Each of the above experts has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or views and/or letters and/or legal opinion (as the case may be) all of which are dated the date of this document and made for incorporation in this document and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in our Company or any of its subsidiaries.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Taxation of holders of H Share

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transaction is affected on the Stock Exchange. The rate charged on each of the purchaser and seller effective from 17 November 2023 is 0.10% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

11. No material adverse change

Our Directors confirm that save as disclosed in this document there has been no material adverse change in our financial or trading position since 31 December 2024 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountants' Report in Appendix I to this document) and up to the date of this document.

12. Miscellaneous

Save as disclosed in this document:

(a) within the two years preceding the date of this document, save as disclosed in the section headed "History and corporate structure" of this document, no share or loan capital or debentures of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares;

(d) save as in connection with the [**REDACTED**], within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years immediately preceding the date of this document, no commission has been paid or payable (except commissions to the [**REDACTED**]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company or any of our subsidiaries;

(f) none of the equity and debt securities of our Company is [**REDACTED**] or [**REDACTED**] on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company has no outstanding convertible debt securities;

(h) save as disclosed in this document, there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;

(i) there are no arrangements under which future dividends are waived or agreed to be waived; and

(j) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

13. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the material contracts referred to in "Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix VI to this document; and

(b) the written consents referred to in "Statutory and general information — D. Other information — 8. Consents and interests of experts" in Appendix VI to this document.

DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.newtrend-group.com** up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report of our Group from Confucius International CPA Limited on the historical financial information of our Group for each of FY2022, FY2023 and FY2024, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Company for FY2022, FY2023 and FY2024;

(d) the report on the unaudited [**REDACTED**] financial information of our Group from Confucius International CPA Limited, the text of which is set out in Appendix II to this document;

(e) the service contracts and letters of appointment referred to in "Statutory and general information — C. Further information about our Directors, Supervisors, senior management and substantial shareholders — 2. Particulars of service contracts" in Appendix VI to this document;

(f) the material contracts referred to in the paragraph headed "Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix VI to this document;

(g) the written consents referred to in the paragraph headed "Statutory and general information — D. Other information — 8. Consents and interests of experts" in Appendix VI to this document;

(h) the CIC Report;

(i) the review report issued by SHINEWING Risk Services Limited in respect of the internal control measures of certain health and work safety issues;

(j) the legal opinions issued by our PRC Legal Advisers;

(k) the legal opinion issued by Buren N.V., our legal advisers as to Netherlands law;

(l) the legal opinion issued by our Thailand Legal Advisers;

(m) the legal opinion issued by our Indonesian Legal Advisers;

(n) the legal memorandum issued by Ashurst Hong Kong, our legal advisers as to International Sanctions law in connection with the **[REDACTED]**;

(o) the legal opinion issued by ICW Law Corporation, our legal advisers as to US anti-dumping laws and regulations; and

(p) the PRC Company Law and Trial Measures together with their unofficial English translations.