

2025

ANNUAL REPORT



青島國恩科技股份有限公司

QINGDAO GON TECHNOLOGY CO., LTD.

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

Stock Code : 002768.SZ | 2768.HK



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Aiguo (*Chairman*)
Mr. Li Zonghao
Ms. Li Huiying
Mr. Han Bo

Independent Non-executive Directors

Mr. Wang Yaping
Mr. Sun Jianqiang
Ms. Hong Ting

JOINT COMPANY SECRETARIES

Ms. Yu Yu
Ms. Chan Yuk Wing

AUTHORISED REPRESENTATIVES

Mr. Wang Aiguo
Ms. Chan Yuk Wing

AUDIT COMMITTEE

Mr. Sun Jianqiang (*Chairman*)
Mr. Wang Yaping
Ms. Hong Ting

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wang Yaping (*Chairman*)
Ms. Li Huiying
Mr. Sun Jianqiang

NOMINATION COMMITTEE

Mr. Wang Yaping (*Chairman*)
Mr. Li Zonghao
Ms. Hong Ting

STRATEGY COMMITTEE

Mr. Wang Aiguo (*Chairman*)
Mr. Li Zonghao
Mr. Han Bo
Mr. Sun Jianqiang
Mr. Wang Yaping

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jihongtan Street
Chengyang District
Qingdao City
Shandong Province
PRC

REGISTERED OFFICE IN THE PRC

No. 2 Road, Qingda Industrial Park
Jihongtan Street
Chengyang District
Qingdao City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CORPORATE INFORMATION

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AUDITOR

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Windsor House
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Causeway Bay
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited

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29 Queen's Road Central
Hong Kong

PRINCIPAL BANK

China Construction Bank Corporation

Qingdao Chengyang Branch
200 Zhengyang Road
Chengyang District
Qingdao City
Shandong Province
PRC

COMPANY'S WEBSITE

<http://www.qdgon.com/>

STOCK CODE

002768.SZ 2768.HK

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Qingdao Gon Technology Co., Ltd. (the “**Company**”, which, together with its subsidiaries, is collectively referred to as the “**Group**”), I hereby present the Annual Report for the year ended 31 December 2025, and report on the Group’s operating results over the past year and its future development prospects.

I. Industry Review

In 2025, the global economy continued to adjust amid a complex and ever-changing international environment, while China’s economy forged ahead steadily, driven by policy support and industrial upgrading. As a national strategic emerging industry, chemical new materials continued to benefit from the three key drivers of “domestic substitution”, “green and recyclable” development, and “supporting emerging industries”. As a result, the overall self-sufficiency rate improved continuously, and market demand expanded significantly. According to industry forecasts, China’s demand for chemical new materials is expected to surpass 65 million tons by 2030, with an average annual growth rate exceeding 10%.

Moreover, under the guidance of the “Healthy China” strategy, the health and wellness industry has embraced a favorable development trend, as the deepening of the “proactive health management” concept drives both consumption upgrades and technological breakthroughs. High-value-added products such as collagen, empty capsules, and Pharmacopoeia Part II gelatin have seen expanding applications in medical, beauty, and nutritional health sectors. Industry concentration has continued to increase, presenting development opportunities for enterprises with technological advantages and capabilities for industrial chain integration.

II. Group’s Operating Conditions

Over the past year, the Group adhered to its “One Core, Two Wings” development strategy, continuously deepening its dual-wheel drive in the chemical new materials and health and wellness industries, while fully leveraging the advantages of its vertically integrated industrial platform. As a result, the Group achieved steady improvements in operating performance and sustained enhancements in core competitiveness.

In the chemical new materials sector, the Group continued to advance its integrated industrial chain layout spanning “monomers – synthetic resins – organic polymer modified/composite materials – products”. In the green petrochemical new materials segment, the Gon Chemical (Dongming) project, featuring the integrated production of 200,000 tons per year of styrene and 80,000 tons per year of propylene oxide, progressed steadily. The production capacities of polystyrene, expandable polystyrene (EPS), and polypropylene continued to expand, with increasingly pronounced synergistic effects across the industrial chain. In the organic polymer modified materials segment, the Group expanded application scenarios in new energy, consumer electronics, aviation, optoelectronic displays, and sports health sectors, successfully entering the supply chains of numerous renowned customers and steadily increasing market share. For the organic polymer composite materials segment, the HP-RTM process battery pack upper covers achieved bulk supply to leading customers in the power battery industry. Furthermore, the carbon fiber composite materials business was qualified as a supplier for multiple automotive companies, with lightweight solutions widely recognized in the new energy vehicle sector. In 2025, the Group delivered a cumulative total of 652.5 kilotons of green petrochemical new materials, 1,178.5 kilotons of organic polymer modified materials, and 478.7 kilotons of organic polymer composite materials.

In the health and wellness sector, the controlled subsidiary Dongbao Bio-Tech continued to deepen its “Collagen+” strategy, with both production capacity and market share for core products such as gelatin, collagen, and empty capsules increasing in tandem. The successful launch of Pharmacopoeia Part II gelatin marked a high-end breakthrough for the Group in the pharmaceutical gelatin field. Yiqing Bio-Tech’s project producing 39 billion empty capsules annually operated stably, while the “New Intelligent Expansion Project for Empty Capsules” with an annual capacity of 30 billion capsules progressed steadily. Upon completion, the combined annual capacity will approach 70 billion capsules, further solidifying the Group’s leading position in the industry. In 2025, the Group delivered a cumulative total of 5.5 kilotons of gelatin and collagen peptides, along with 34.56 billion empty capsules.

III. Future Outlook

Looking forward to 2026, the Group will continue to uphold its “vertical integration” strategy, focusing on high-end manufacturing and green sustainable development to elevate its industrial platform to a higher level of capability.

In the chemical new materials sector, we will continue to deepen the construction of the “New Materials+” industrial ecosystem, accelerating the industrialization of high-end specialty materials such as PEEK, PHB, and CPMMA, and promoting domestic substitution and technological self-reliance of key materials. Meanwhile, we will actively explore emerging application scenarios in intelligent robotics, low-altitude economy, and new energy, expanding the application boundaries of high-performance material modification technologies in high-value-added fields.

In the health and wellness sector, we will continue to advance the “Collagen+” core strategy, promoting multi-dimensional applications of gelatin, collagen, and empty capsules across “medical, beauty, health, and food” sectors and new domains. We will accelerate the market promotion of high-end products such as Pharmacopoeia Part II gelatin and dual-protein dietary fiber, raising the profile of the “Yuansu” brand in the consumer (C-end) market and establishing a business model that integrates B-to-B and B-to-C operations for synergistic growth.

We will continuously strengthen our R&D-driven and capital integration capabilities, leveraging platforms such as the National Enterprise Technology Center and national key laboratories to build a globally competitive technological innovation system. Meanwhile, we will actively expand international operations, promoting locally integrated operations in overseas markets to enhance the Gon brand’s voice in the global industrial chain.

CHAIRMAN'S STATEMENT

IV. Final Dividend

To reward shareholders for their long-term trust and support, the Board has resolved to recommend the payment of a final dividend of RMB0.5 per share for the year ended 31 December 2025, and to capitalize the capital reserve to increase the share capital on the basis of the total share capital as at the record date for the entitlement distribution less the shares repurchased and held in the Company's repurchase account. Specifically, 4.8 new shares will be issued for every ten (10) existing issued shares held (excluding 6,250,000 treasury shares).

In closing, I'd like to extend my sincere gratitude to all shareholders, customers, partners, and employees on behalf of the Board of Directors. Going forward, we will continue to work hand in hand, advancing steadily to co-create a new chapter of high-quality development for Gon Technology.

Wang Aiguo
Chairman of the Board
30 March 2026

FINANCIAL HIGHLIGHTS

	For the year ended	
	31 December	
	2025	2024
	RMB'000	RMB'000
Revenue	21,251,231	19,187,511
Gross profit	2,210,390	1,592,172
Gross profit margin	10.4%	8.3%
Profit for the year	836,802	720,586
Profit attributable to owners of the Company	851,994	685,232
Basic earnings per share (RMB per share)	3.22	2.56

For the year ended 31 December 2025, the total revenue of the Group was approximately RMB21,251.2 million, representing an increase of approximately 10.8% from approximately RMB19,187.5 million for the year ended 31 December 2024.

For the year ended 31 December 2025, the gross profit of the Group was approximately RMB2,210.4 million, representing an increase of approximately 38.8% from approximately RMB1,592.2 million for the year ended 31 December 2024. The Group's gross profit margin was approximately 10.4%, representing an increase of approximately 2.1% as compared with the gross profit margin of approximately 8.3% for the year ended 31 December 2024.

For the year ended 31 December 2025, the profit of the Group was approximately RMB836.8 million, representing an increase of approximately 16.1% from approximately RMB720.6 million for the year ended 31 December 2024.

The Board has resolved to recommend the payment of a final dividend of RMB0.5 per share for the year ended 31 December 2025 in accordance with the Dividend Policy of the Company, and to capitalize the capital reserve to increase the share capital on the basis of the total share capital as at the record date for the entitlement distribution less the shares repurchased and held in the Company's repurchase account. Specifically, 4.8 new shares will be issued for every ten (10) existing issued shares held (excluding 6,250,000 treasury shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a domestic core supplier of new chemical materials as well as gelatin and collagen series products, with business covering such two segments as the new chemical materials and the health and wellness segment. The Group primarily engages in the R&D, production, and sales of relevant products widely used by clients in both industrial and commercial sectors.

During the Reporting Period, the Group derived its revenue primarily from two business segments, namely, (i) new chemical materials segment; and (ii) health and wellness segment.

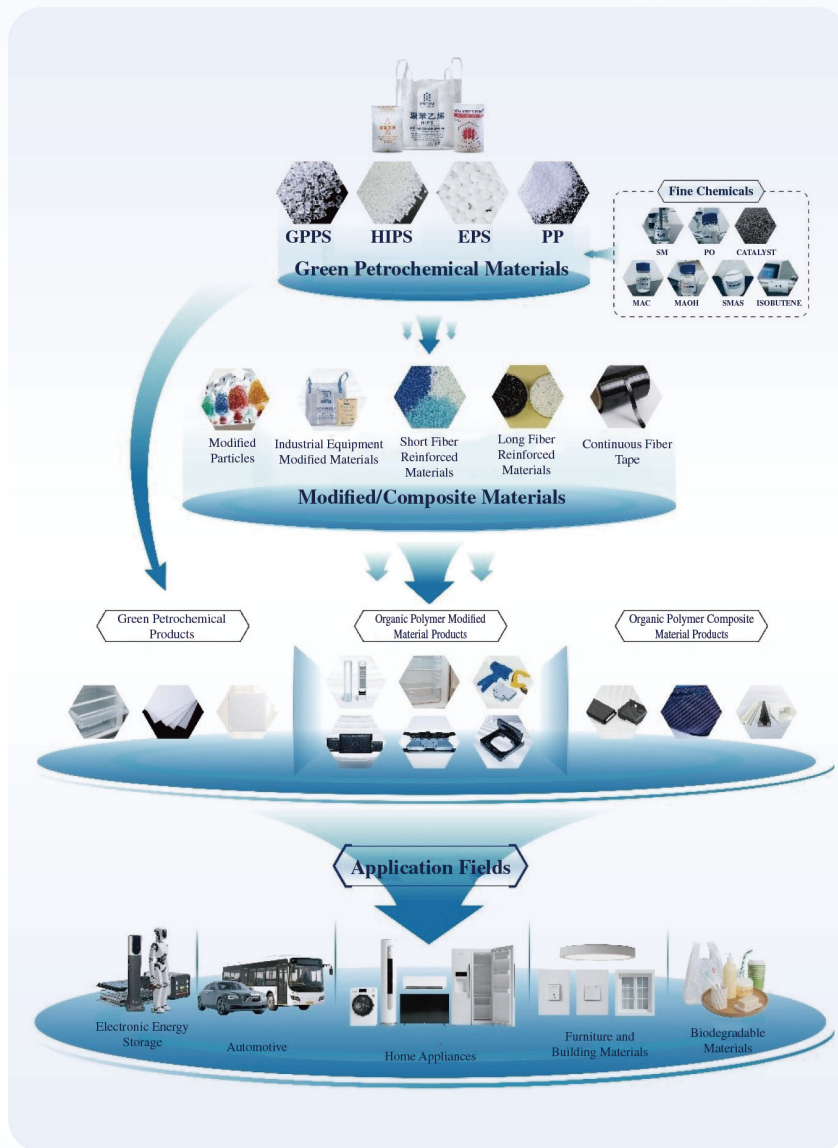
1. New Chemical Materials Segment

In this field, the Group has implemented a vertically integrated development strategy centered on new chemical materials. Its main products include green petrochemical materials, organic polymer modified materials and organic polymer composite materials, forming a complete vertically integrated value chain spanning 'monomers – synthetic resins – polymer modified materials/composite materials – products'. Applications of its products cover a wide range of major industries, including home appliances, automotive, new energy, consumer electronics, home building materials, communication, packaging, healthcare, and biodegradable materials. The Group has extended its business to chemical monomers and fine chemical segment, advancing the R&D and industrialization process of special new materials such as PHB (Poly-3-hydroxybutyrate), PEEK (polyetheretherketone) and CPMMA (aviation-grade cross-linked polymethyl methacrylate acrylic glass) to further improve the vertical integration layout.

During the Reporting Period, the Group delivered a cumulative total of 652.5 kilotons of green petrochemical new materials, 1,178.5 kilotons of organic polymer modified materials, and 478.7 kilotons of organic polymer composite materials.

MANAGEMENT DISCUSSION AND ANALYSIS

The diagram below illustrates its vertically integrated business model and product matrix of the new chemical materials segment:



MANAGEMENT DISCUSSION AND ANALYSIS

2. Health and Wellness Segment

In this field, the Group has integrated its industrial resources through its holding subsidiary, Dongbao Bio-tech (300239.SZ). Dongbao Bio-tech specializes in the R&D, production and sales of gelatin, collagen, empty capsules, and B2C series products. Leveraging its expertise in natural bone collagen extraction, the Group has established a full value chain system from raw materials (i.e. its gelatin, collagen peptides/collagen), containers for dosage forms of medication or supplement (i.e. its empty capsules) to final consumer products (i.e. its collagen+ series). This has enabled the Group to build an ecosystem in which its B2B products and its B2C “collagen+” series mutually reinforce and benefit. The Group continuously advances the development of high-value-added collagen derivatives products and widens the offerings, gradually expanding applications to subsegments of the health and wellness market, including “medical, beauty, wellness, food” segments as well as emerging niche such as the advanced materials segment.

During the Reporting Period, the Group delivered a cumulative total of 5.5 kilotons of gelatin and collagen peptides, along with 34.56 billion empty capsules.

The diagram below illustrates its vertically integrated business model and product matrix of the health and wellness segment:



INDUSTRY ANALYSIS

I. Chemical New Materials Industry

Chemical New Materials refer to a comprehensive category encompassing novel basic materials, structural and functional materials, polymer materials, composite materials, and high-end chemical products manufactured through chemical processes. This sector represents one of the most dynamic and high-potential fields within modern manufacturing. The rapid development of next-generation information technology, biotechnology, new energy, high-end equipment, and green environmental protection has imposed stringent demands on the chemical new materials industry, which not only focus on enhancing material performance, production efficiency, and environmental standards but also drive comprehensive advancements in material innovation, application expansion, and coordinated industrial chain development. As a pivotal field in global scientific innovation and industrial upgrading, the chemical new materials industry has emerged as a hotspot for national competitiveness. It plays an increasingly significant role in leading breakthroughs in cutting-edge technologies, promoting high-quality economic development, and facilitating the construction of a manufacturing powerhouse.

As a foundational, strategic, and pioneering industry, China places great emphasis on the development of the chemical new materials sector. Relevant departments have issued a series of industrial policies: In July 2024, nine ministries and commissions, including the Ministry of Industry and Information Technology (MIIT), jointly released the “Implementation Plan for Innovative Development of the Fine Chemical Industry (2024–2027)” (《精細化工產業創新發展實施方案(2024–2027年)》), which prioritizes the high-end extension of industrial chains in traditional industries. It focuses on developing fine chemicals, creating specialized, refined, characteristic, and innovative product systems, and emphasizing the utilization of olefins and aromatics to develop high-end polyolefins, engineering plastics, polyurethanes, specialty synthetic rubbers, high-performance fibers, and functional films. In September 2025, seven departments, including the MIIT, issued the “Work Plan for Stable Growth in the Petrochemical and Chemical Industry (2025–2026)” (《石化化工行業穩增長工作方案(2025–2026年)》), which advocates for industry transformation and upgrading through high-end, green, and digital means. It highlights support for key new material breakthroughs, such as high-end polyolefins, specialty engineering plastics, high-performance fibers, modified composite materials, electronic chemicals, and new energy materials, while expanding application scenarios in emerging fields like new energy, low-altitude economy, humanoid robots, and healthcare. The plan also emphasizes strengthening industrial technological innovation, pilot-scale platform construction, and first-batch application promotion, guiding chemical parks to focus on upgrading new materials and fine chemicals. According to the “2025 Report on the Development of the Domestic and Foreign Oil and Gas Industry” (《2025年國內外油氣行業發展報告》), it is predicted that during the “15th Five-Year Plan” period, three engines, namely, domestic substitution, emerging industry support, and green and sustainable development, will drive continuous growth in new material demand. The demand for chemical new materials is expected to exceed 65 million tons by 2030, with an average annual growth rate of 10%. Driven by policy incentives and industrial upgrading, the domestic chemical new materials industrial chain continues to optimize, presenting strategic layout opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Currently, the global chemical new materials industry is accelerating its transformation towards a high-tech-driven development model, characterized by shortened innovation cycles, expanded application scenarios, and a continuously expanding market size. After years of accumulation, China has established a comprehensive industrial chain covering basic research and development, engineering conversion, intelligent manufacturing, and terminal applications, gradually becoming a significant growth pole and core market in the global chemical new materials sector. As an essential component of chemical new materials, polymer materials are poised for robust development in the Chinese market, fueled by the rapid growth of emerging industries such as AI, robotics, and the low-altitude economy. According to Frost & Sullivan, the Chinese polymer market is expected to maintain a compound annual growth rate of 14.1% from 2025 to 2029, reaching a market size of RMB1,037.5 billion by 2029. Against this backdrop, the chemical new materials industry of GON has cultivated a cluster of internationally competitive leading enterprises through technological innovation and product structure upgrades. Market concentration continues to rise, with sustained breakthroughs in the localization rate of high-end products. The industry is evolving towards integrated layouts, scaled development, and intelligent upgrades.

In 2025, China continued to promote high-level opening-up and has introduced multiple policies to support the high-quality “going global” of the chemical new materials industry. For instance, documents such as the “Work Plan for Stable Growth in the Petrochemical and Chemical Industry (2025–2026)” explicitly advocate for high-quality inbound investment and high-level outbound expansion, encouraging enterprises to engage in international capacity cooperation, expand global markets, and optimize global industrial chain layouts. Through measures such as export tax rebates, trade facilitation, international standard mutual recognition, overseas intellectual property protection, and cross-border financial services, China supported enterprises in leveraging regional cooperation mechanisms like the Belt and Road Initiative and RCEP to expand international markets, providing a favorable policy environment and development opportunities for the global layout, overseas market expansion, and international competitiveness enhancement of the company’s core products, including polymer modified materials, composite materials, specialty new materials, and new energy supporting materials.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Health and Wellness Industry

With the “Healthy China” concept elevated to a national strategy, a series of policies supporting and promoting the development of the health industry have been closely introduced, reflecting a shift towards a “preventive healthcare” approach at the national level. Coupled with a heightened public emphasis on health in recent years, the health market has experienced steady growth. Driven by factors such as the growth in national per capita disposable income, an aging population, changing consumption patterns, technological advancements, and stricter regulatory oversight, the market demands higher-quality and safer pharmaceuticals and nutritional health products, fostering sustained high-quality development in the pharmaceutical and health industry. As a vital component of the national economy, the pharmaceutical and health industry receives substantial policy support from the state. The report to the 20th National Congress of the Communist Party of China explicitly emphasizes strengthening food and drug safety supervision and improving the biological safety supervision, early warning, prevention, and control systems. The “‘Healthy China 2030’ Planning Outline” (《「健康中國2030」規劃綱要》) explicitly defines goals to ensure food and drug safety, promote the development of the pharmaceutical industry, strengthen pharmaceutical technological innovation, and drive pharmaceutical innovation and transformation and upgrading. In April 2025, 12 departments, including the Ministry of Commerce and the National Health Commission, issued the “Action Plan to Boost Health-Related Consumption” (《促進健康消費專項行動方案》), aiming to enhance healthy dietary consumption levels, strengthen service capabilities for the silver-haired market, and guide the diversified development of the health industry.

The gelatin industry, with its solid application foundations in both consumer and medical (pharmaceutical) sectors, maintains a promising overall development outlook. The pace of industrial transformation and upgrading has accelerated notably as market demand upgrades towards high-end and segmented directions. With continuous expansion in application areas, the application value and market space for high-end gelatin continue to rise. The Company’s Pharmacopoeia Part II gelatin has been applied in fields such as polygeline injection and succinylated gelatin injections. Furthermore, Pharmacopoeia Part II gelatin/ ultra-low endotoxin gelatin demonstrates broad application prospects in various medical (pharmaceutical) sectors, including hemostatic materials, artificial bones, gel agents, aesthetic medical fillers, microsphere drug delivery systems, and oral medicine. With technological breakthroughs and the rapid development of downstream markets in medical (pharmaceutical) and aesthetic medicine, the Company’s high-end gelatin business is poised for broader market opportunities.



MANAGEMENT DISCUSSION AND ANALYSIS

The collagen industry is experiencing rapid development driven by technological advancements and expanding application scenarios. Boosted by heightened public health awareness, the gradual emergence of product advantages, and continuous technological breakthroughs, collagen, as a high-quality nutritional protein, maintains a solid footing in the nutritional health sector. It also serves as a key ingredient in hydrating and anti-aging skincare products within the beauty and personal care industry, thanks to its exceptional moisturizing and repairing properties. With ongoing technological innovations, collagen's development potential further expands into new material sectors such as new energy and textiles.

Empty capsules are primarily used in the pharmaceutical and health supplement sectors, with a solid application foundation. In the pharmaceutical sector, the market demands higher standards for the quality stability and safety of empty capsules as regulatory requirements continue to strengthen. In the health supplement sector, driven by the popularization of healthy consumption concepts, market demand grows steadily. Gelatin capsules maintain stable market applications due to their excellent product characteristics, while plant-based capsules develop synergistically amidst diversified demand. Currently, industry competition focuses on product quality, technological innovation, and customized service capabilities. Enterprises equipped with systematic quality control, international certification qualifications, and efficient service response capabilities can better meet the comprehensive needs of downstream clients, with the industry overall trending towards standardized and high-quality development.

MANAGEMENT DISCUSSION AND ANALYSIS

CORE COMPETITIVENESS

I. The Company Boasts an Industry-Leading Vertically Integrated Industrial Platform

The Company continued to build an industry-leading vertically integrated industrial platform, continuously unleashing its capabilities in capital aggregation and resource integration. In the chemical new materials sector, the Company actively brought into play its advantages as a listed company's capital operation platform. With polymer material modification as its cornerstone, it extended upstream into green petrochemical material businesses such as styrene, polystyrene, expandable polystyrene, and polypropylene. Simultaneously, it deepened its downstream industrial layout by exploring diversified application demands in industries including smart home appliances, automotive, new energy, and robotics. It has successfully established a vertically integrated industrial chain spanning "monomers – synthetic resins – organic polymer modified/composite materials – end products", with product applications covering numerous critical industries such as home appliances, automotive, new energy, consumer electronics, home building materials, telecommunications, packaging, healthcare, machinery, transportation, and aerospace. Additionally, the Company expanded horizontally into the fiber-reinforced lightweight composite materials sector, developing a non-metallic composite materials segment. It deepened its market presence in the new energy sector by seizing development opportunities arising from the transformation of energy consumption patterns. In the health and wellness industry, the Company held a controlling stake in Dongbao Bio-Tech (Stock Code: 300239), a listed company focused on the "Collagen+" core in the health and wellness sector. By leveraging the Group's high-quality resources and its own product advantages, it continuously deepened its collagen industry layout, extended the industrial chain vertically, and created synergistic advantages across the industrial chain covering raw materials (gelatin/collagen)–dosage form carriers (empty capsules)–end products (collagen+ series). It has established a complete technological chain from raw material preparation to end-product manufacturing. By virtue of this foundation, the Company continuously promoted the expansion of its main products from traditional markets to emerging markets, demonstrating strong industrial extension capabilities. By extending the industrial chain, streamlining the supply chain, strengthening the innovation chain, enhancing the value chain, and constructing an ecological chain, the Company continued to leverage its advantages in industrial scale and platform integration, fully releasing the capital aggregation effects of its listed company status.

II. The Company Possesses Robust Technological R&D Capabilities

The Company positioned technological innovation as the core driver for achieving sustainable, high-quality development, continuously investing in and systematically building a powerful R&D system. It collaborated with renowned domestic research institutes to establish joint R&D platforms and projects, conducting key material technology research and forming a comprehensive, multi-tiered R&D network with complementary functions.

MANAGEMENT DISCUSSION AND ANALYSIS

Thanks to technological development and accumulation for over two decades, the Company currently operates 10 high-tech enterprises, holds 521 patents and 20 software copyrights, and has participated in formulating 16 national standards, 19 group standards, and 4 industry standards. It has established a competitive patent pool and technological barriers. In the chemical new materials sector, the Company boasts a national-level enterprise technology centre and a German laboratory, along with research platforms such as the Shandong Province's Advanced Polymer and Composite Materials Manufacturing Innovation Centre, the Qingdao Engineering Plastics and Composite Materials Engineering Research Centre, the Qingdao Applied Technology Innovation Centre for Advanced Polymers and Composite Materials, the Qingdao Key Laboratory for Engineering Plastics and Composite Materials, and the Qingdao "One Enterprise, One Technology" R&D Centre. It has also earned honors such as Single Champion in the Manufacturing Industry in Shandong Province, Demonstration Enterprise of Technological Innovation in Shandong Province, Shandong Provincial Specialized, Precise, Unique, and Innovative Small and Medium Enterprises, and Qingdao Specialized, Precise, Unique, and Innovative Small and Medium Enterprises. Currently, the Company has possessed six core capabilities: polymer material modification, structural simulation analysis of polymer composites, system structural simulation analysis, weather resistance testing and control, process equipment design, and full-process detection and monitoring. It has gradually grown into one of the most influential high-tech industrial bases for new technologies, processes, and materials in China.

In the health and wellness sector, the subsidiary Dongbao Bio-Tech operates platforms such as the first batch of China National Light Industry Key Laboratories of Gelatin, an autonomous region enterprise R&D centre, and an autonomous region enterprise technology centre. Leveraging industry-leading R&D technology platforms and continuous investment, Dongbao Bio-Tech has established a complete industrial chain from raw material extraction to end-product manufacturing. In recent years, the Company has achieved breakthroughs in niche application areas of gelatin and collagen, successfully launching Pharmacopoeia Part II gelatin and collagen for applications in new material sectors, driving the industrial chain toward high-value-added fields. Yiqing Bio-Tech is a leading enterprise in China's empty capsule industry for applying new technologies, materials, and processes. It operates multiple platforms, including the Yiqing Bio-Tech Technology Centre (provincial level), the Qingdao Empty Capsule Manufacturing Innovation Centre (municipal level), and the Qingdao Empty Capsule Engineering Research Centre (municipal level). Additionally, Yiqing Bio-Tech holds numerous patent technologies related to empty capsule production, covering multiple types of empty capsule products, and possesses a rich technological reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

III. The Company Boasts Stable and High-Quality Market Resources

The Company owns a large number of long-term high-quality customer resources and has established strategic partnerships with multiple leading enterprises in the industry, achieving long-term and stable bulk supply. Its efficient development capabilities and powerful product matrix can greatly meet customer needs.

In the field of chemical new materials, the Company provides customers with cutting-edge new material products and customized formulation solutions by virtue of the resource development advantages of its vertical integration platform. In the home appliance and consumer electronics sectors, the Company has established long-term and stable cooperation with numerous well-known domestic and foreign brand owners and core manufacturing enterprises, offering them a wide range of products and high-quality professional services, thereby continuously strengthening its market position. For the automotive and new energy business sectors, the Company continues to expand the application of lightweight materials and products, deepening cooperation with mainstream domestic vehicle manufacturers and leading new energy battery manufacturers. It promotes the extension of lightweight materials from interior and exterior trim parts to structural and functional components, achieving weight reduction and reinforcement while ensuring safety and stability, and reducing driving energy consumption. In the sports and health materials sector, it is gradually expanding into overseas markets, achieving synergy between international and domestic businesses. As for the optoelectronic material business sector, the Company adheres to a research and development-oriented approach, continuously providing one-stop product solutions to well-known domestic and foreign leading enterprises in the consumer electronics and display fields, effectively enhancing customer loyalty and satisfaction. In the health and wellness sector, Dongbao Bio-Tech and Yiqing Bio-Tech possess high-quality and stable customer resources, maintaining long-term and stable cooperation with multiple well-known domestic pharmaceutical enterprises, large pharmaceutical groups, and leading pharmaceutical companies in the industry. Their product quality and service capabilities have been widely recognized in the market.

IV. The Company's Products Have Showcased Brand Resource Advantages

As one of the leading enterprises in China's chemical new materials industry, the Company has been committed to providing customized solutions through technological innovation for over two decades. It has built a good market reputation and brand credibility by continuously expanding its product matrix and optimizing service quality. The Company has successively received honors such as "Top 500 Private Enterprises in China's Manufacturing Sector", "China's Top Ten Quality Brands in Modified Plastics", "Shandong Province High-end Brand Cultivation Enterprise", "Shandong Province's Most Promising Private Enterprise", "Shandong Province's Top 100 Private Enterprises with Innovation Potential", "Shandong Province's Top 10 Leading Private Enterprises in the New Materials and New Energy Industry", "Top 100 Private Enterprises in Shandong Province", "Shandong Province's Top 50 New Materials Leading Enterprises", "Shandong Provincial Outstanding Contribution Award for High-Quality Development of the Private Economy", "Shandong Province's Green Factory", "Qingdao's Green Factory", "Qingdao's Leading Private Benchmark Enterprise", and "Qingdao's Advanced-Level Smart Factory". With high-quality products and comprehensive services, it has established strong brand resource advantages in the industry, winning high recognition from customers and being consecutively awarded honors such as "Strategic Cooperation Award", "Best Partner", and "Excellent Supplier" by its partners.

MANAGEMENT DISCUSSION AND ANALYSIS

Dongbao Bio-Tech has been deeply engaged in the collagen field for over 60 years and has continuously committed to brand building to enhance brand value. It has created core brands such as “Golden Deer” and “Yuansu”, establishing a brand matrix covering both B2B and B2C businesses. As an Inner Mongolia time-honored enterprise, Dongbao Bio-Tech has continuously enhanced its brand influence by leveraging its advantages in technology, products, services, and market. Dongbao Bio-Tech and its subsidiaries have formed a relatively complete brand system through years of deep cultivation in the industry. The “Golden Deer” brand gelatin has become a representative of industry brands and reputation. Yiqing Bio-Tech’s “Jianpai” empty capsules have been awarded honors such as “Qingdao Premium Products”, “Shandong Manufacturing • Qilu High-Quality Products”, and “Lu Chain Premium Products”. As an Inner Mongolia time-honored enterprise, Dongbao Bio-Tech has received honors such as “National Advanced Enterprise in the Gelatin Industry”, “Chairman’s Quality Award of Inner Mongolia Autonomous Region”, “Manufacturing Single Champion of Inner Mongolia Autonomous Region”, “Key Leading Enterprise in Agricultural and Animal Husbandry Industrialization of Inner Mongolia Autonomous Region”, and one of the first century-old stores in Baotou City. In recent years, Yiqing Bio-Tech has been honored as “Manufacturing Single Champion of Shandong Province”, “Benchmark Enterprise in the Pharmaceutical Industry for the 70th Anniversary of the Founding of New China”, “Shandong Provincial Specialized, Precise, Unique, and Innovative Small and Medium Enterprises”, and “Shandong Provincial Advanced Small and Medium Enterprises”. Its project “Empty Gelatin Capsules with Different Disintegration Rates” has been included in the China Scientific & Technological Achievements Database.

BUSINESS REVIEW

In 2025, the Company remained committed to focusing on its core businesses, fully leveraging the advantages of its vertically integrated industrial platform with chemical new materials and the great health industry as its two wings. It made precise layout in the chemical new materials industry through the “New Materials+” approach and empowered the multi-dimensional upgrading of the great health industry with the “Collagen+” strategy. By acquiring and integrating high-quality industry resources, the Company actively extended its industrial chain upstream to key raw material links and downstream to high-value-added products, continuously improving its industrial ecological layout. In the field of chemical new materials, the Company has established a complete vertically integrated industrial chain covering “monomers – synthetic resins – organic polymer modified/composite materials – end products”. For the health and wellness sector, it has created a full-chain collaborative advantage encompassing raw materials (gelatin/collagen) – dosage form carriers (empty capsules) – end products (collagen+ series). Meanwhile, by strengthening the efficient synergy of internal resources, the Company continuously unleashed the scale advantages of its platform, driving steady growth across all business segments.

In addition, the Company successfully achieved its H-share listing on 4 February 2026, officially entering a new stage of development with a “A+A+H” three-dimensional capital platform, laying a solid capital foundation for its global development.

During the Reporting Period, the Group’s total revenue was approximately RMB21,251.2 million, representing an increase of approximately 10.8% compared to the same period last year; the Group’s net profit attributable to shareholders of the listed company was approximately RMB852.0 million, representing an increase of approximately 24.3% compared to the same period last year. The Company’s main operating performance during the Reporting Period is as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

I. Chemical New Materials Industry

1. *Green Petrochemical New Materials*

Relying on its vertically integrated industrial platform in the chemical new materials sector, the Company has seen a year-on-year increase in the production capacity of green petrochemical new materials. In addition to meeting its internal demand, the Company has continuously expanded into new business areas by deeply exploring customer needs in industries such as home appliances, automotive, and new energy.

(1) *Organic Polymer Materials*

Polystyrene (PS): On one hand, the Company has continuously strengthened the research and development and market promotion of home appliance-specific materials focusing on the “high-end, green, and intelligent” development directions. While primarily developing dedicated materials for refrigerator drawers, liners, and panels, it has actively expanded applications in areas such as TV diffuser plates and food packaging. It has successfully achieved bulk supply to multiple well-known domestic and foreign home appliance and consumer electronics brands. By virtue of its technological and cost advantages in specialized materials, the Company has not only achieved domestic substitution but also actively expanded into overseas markets. Moreover, the Company has focused on advancing the business expansion of Hong Kong Petrochemical in South China and overseas markets, further improving its localized and matrix-style industrial layout.

Expandable Polystyrene (EPS): The Company has focused on business promotion in the home appliance, automotive, and cold chain logistics industries, serving over 40 customers, including a large number of well-known domestic and foreign home appliance leading enterprises. Currently, the quality of the Company’s food packaging-grade, environmentally friendly flame-retardant (B1-grade flame retardant), extra-light-grade, and clean-grade EPS products has reached industry-leading levels, and its environmentally friendly and recyclable EPS products meet the requirements of the new “Packaging and Packaging Waste Regulation” of the EU and have achieved mass production, truly realizing a sustainable and closed-loop industrial development.

Polypropylene (PP): The Company has put an emphasis on the R&D and production of polypropylene materials with different application requirements, such as low odor, low VOC, high transparency, food grade, and antibacterial grade, to meet the high-end product characteristic demands in the automotive and home appliance sectors. It has demonstrated irreplaceable core competitiveness in meeting regional, customized, and small- to medium-batch demands by adopting the liquid-phase small-bulk polypropylene process (also known as batch liquid-phase bulk method), with significant advantages in flexibility, low-cost investment, and raw material inclusivity. In the future, the Company will continue to consolidate the unique value of this process in the polypropylene industrial ecosystem through three major pathways: catalyst innovation, intelligent upgrading, and circular economy integration, focusing on opening up growth space in high-end specialized materials and recycled plastics.



MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Fine Chemical Materials*

The Company takes fine chemicals, new materials, and new energy as its main development lines, relying on multiple modern basic organic chemical raw material production lines to form a multi-industrial chain development path. The styrene products of Gon Chemical (Dongming) form upstream-downstream industrial synergy with the existing polystyrene series products of Hong Kong Petrochemical, Gon Polymer.1, and Rizhao Gon Chemical, achieving a vertically integrated industrial chain layout of “monomers – synthetic resins – organic polymer modified/composite materials – end products”.

During the Reporting Period, the Company acquired Huai'an Xinsheng New Material Technology Co., Ltd and launched new projects for novel catalytic materials and terminal olefin compounds, continuously improving the vertical layout of its industrial chain. The Company's self-developed acidic ionic liquids and solid acid catalysts can systematically address common industry challenges such as high production costs, significant safety risks, and low catalytic efficiency associated with traditional catalysts. These products can be widely applied in continuous industrial production units for high-end new material monomers, bio-based materials, and pharmaceutical intermediates. Terminal olefin compounds, as key raw materials and intermediates for the production of high-end polymers, specialty polymer materials, and fine chemicals, imply broad market prospects.

Leveraging its self-developed functional catalyst system and terminal olefin compound production technology, the Company has achieved groundbreaking breakthroughs in new production technologies for the key raw material-terminal olefin compounds, successfully establishing a complete industrial barrier from cutting-edge technology development to efficient production of high-end products. Currently it is the only company that achieves large-scale production of these two technologies. With its technological leadership and exclusive production capacity, the Company has established stable bulk supply cooperation with several of the world's leading chemical new material and specialty chemical enterprises, fully demonstrating its irreplaceability in the high-end material supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Organic Polymer Modified Materials*

(1) *New Energy Sector*

The Company actively responds to the national new energy industry development strategy, accelerating the improvement of its industrial layout in the new energy sector and achieving domestic substitution for key materials. In the direction of the new energy vehicle industry, the Company continues to increase its market share of modified PP, PC, ABS, PA, and other related automotive interior and exterior materials. Regarding new energy vehicle connector materials, the Company has adopted the molecular structure design and alloying technology to introduce alloy materials that effectively address signal attenuation during transmission, with relevant indicators reaching international advanced levels, further enriching its material solutions in the new energy sector. Meanwhile, in response to the demand for materials for domain controller housings in new energy vehicles, the developed alloy materials excel in heat resistance, dimensional stability, and dielectric properties. They have passed customer verification and achieved bulk supply, establishing the Company as one of the important suppliers in this field. The Company has continued to advance the applications of low-odor scratch-resistant modified PP materials, lightweight low-VOC modified PP materials, low-smoke high-oxygen index low-odor PC/ABS materials, high-impact aging-resistant modified PP materials, anti-exudation aging-resistant halogen-free flame-retardant reinforced PA66 materials, laser-weldable materials, continuous fiber-reinforced flame-retardant PP materials, and so on.

In related industrial directions such as power batteries and energy storage batteries, the Company provided comprehensive overall solutions for customers, accelerating the application of materials such as new energy battery-specific high flame-retardant/compression-resistant/explosion-proof reinforced PA66, flame-retardant reinforced PP, halogen-free flame-retardant PP, ultra-high molecular weight PE for battery separators, and electrolyte-resistant PPO. It vigorously promoted the application of halogen-free flame-retardant reinforced PA66 materials in battery separator fields, continuously enriching its product matrix. The Company has established good cooperative relationships with high-quality customers in the new energy industry chain, with a steadily increasing supply volume.

With regard to the new energy charging pile-related industries, the Company strengthened cooperation with existing charging pile manufacturers, continuously providing customers with comprehensive customized solutions from material development to process optimization. It focused on promoting materials such as ultra-low-temperature-resistant PC/ABS, hydrolysis-resistant weather-resistant flame-retardant PC, ultra-weather-resistant flame-retardant PC/ABS, high-temperature-high-humidity hydrolysis-resistant PC, ultra-weather-resistant ASA, and low-precipitation and low-corrosivity halogen-free flame-retardant reinforced PET, with a steadily increasing market share.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Consumer Sector*

During the Reporting Period, the Company made every effort to explore niche markets including new energy, intelligent equipment, home building materials, telecommunications, cables, energy storage, and office supplies while deepening its presence in traditional markets such as home appliances and automotive. In the home appliance sector, the Company closely followed the market trends of intelligent and green development in the home appliance industry, continuously enriched its product mix, and reinforced its research and development of new materials to facilitate broader application scenarios and more personalized user experiences for home appliance products. Meanwhile, the Company continued to deepen its business cooperation with core strategic customers in the domestic and foreign home appliance, consumer electronics, and high-end manufacturing sectors, actively expanding new business categories and market share.

Focusing on enhancing product performance, the Company continuously explored innovative application areas for new materials. It prioritized the development of PS/PP alloy materials to address the issue of cracking in refrigerator liners for customers; developed high-temperature and weather-resistant flame-retardant PP materials to solve the discoloration problem caused by long-term thermal-oxidative aging in flame-retardant materials; developed halogen-free flame-retardant PC/ABS materials to replace traditional flame-retardant HIPS materials in response to new safety regulations; and developed extremely low-odor and low-warpage reinforced PA66 materials to address the health concerns associated with odor emissions from injection-molded products when heated. In the intelligent equipment sector, the infrared-transparent PC/ABS composite material developed for agricultural drones maintained over 85% of its performance after 6,000 hours of ultraviolet aging testing, meeting the requirements for long-term outdoor use and gaining customer recognition for its material properties. Additionally, the Company achieved several key technological breakthroughs in the field of specialty engineering materials, successfully developing glass-fiber-reinforced SPS (syndiotactic polystyrene) materials for high-temperature applications such as microwave oven components and 5G base station antenna housings. These materials exhibited excellent performance in terms of heat resistance and dielectric properties, effectively replacing traditional materials and offering significant advantages in cost control and performance balance. In the telecommunications and home sectors, the product portfolio continued to expand, customer supply volumes increased steadily, and cooperative relationships were deepened. The Company also strengthened its business development in the consumer electronics and IoT sectors, becoming an important supplier to several well-known enterprises and continuously increasing its market share. Circular economy materials are transitioning from “alternative options” to “mainstream essentials”. The Company continued to optimize its product mix, focusing on overcoming performance bottlenecks in PCR (post-consumer recycled plastics) materials. The key properties of recycled materials, such as mechanical performance and thermal stability, approached those of virgin materials through techniques such as multi-stage purification, compatibilizer optimization, and reinforcement system reconstruction, providing technical support for their application in industries such as home appliances, automotive, and electronics.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Biodegradable Materials Sector*

As a professional enterprise with years of experience in the R&D and production of modified materials, the Company achieved key technological breakthroughs in the field of biodegradable modified materials. It has developed various biodegradable modified materials, including PLA, PBAT, PBS, and thermoplastic starch plastics, with application technologies covering areas such as reinforcement, heat resistance, alloying, and biocompatibility. These materials are widely applicable to biodegradable packaging bags, shopping bags, disposable cutlery and food containers, hot and cold drink straws, and films.

Through long-term cooperation with research institutions and continuous in-depth research, the Company successfully synthesized fully biodegradable PHB material using propylene oxide produced on a large scale as a raw material, a self-developed nanocobalt catalyst, and a two-step process involving carbonylation and catalytic polymerization. The related technologies and product performance are at the leading level in the world. Compared to traditional biological fermentation methods, the new chemical synthesis process offers core advantages such as lower raw material costs, the absence of highly hazardous intermediate products during production, compliance with EHS management system requirements, and significantly increased single-line production capacity. It provides an economically viable and environmentally friendly systematic solution for the large-scale commercial application of biodegradable materials.

The Company steadily advanced the technical route for PHB material from “laboratory R&D to process package development, pilot-scale verification, and industrial-scale amplification”. After a year of concerted efforts, it completed the kilogram-scale preparation and amplification of a dedicated catalyst, the ton-scale pilot production of PHB material, and the development of controlled polymerization technology for PHB monomers. It also established mass production processes and product standards for a series of brand-name products. Currently, the project has successfully transitioned to the design and production stage. Meanwhile, leveraging the production facility with an annual output of 200,000 tons of styrene and 80,000 tons of propylene oxide at its subsidiary Gon Chemical (Dongming), the Company achieved vertical integration and self-sufficiency in core raw materials for PHB, successfully completing the value chain upgrade from basic chemicals to high-end functional new materials.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) *Optoelectronic Materials Sector*

Subsidiary Gocci Opto-electronics specializes in the development, production, and sales of optical-grade light guide plates, diffuser plates, film materials, and optical module design, with products widely applied in liquid crystal displays and civil lighting across sectors such as televisions, computers, mobile phones, automotive displays, and commercial applications. As global display technologies continue to iterate and innovate, the optoelectronic display market maintains a positive growth trajectory. Gocci Opto-electronics sustains close cooperative relationships with multiple core customers in the domestic and international optoelectronic display and consumer electronics sectors. Leveraging the Company's vertically integrated platform advantages in the new materials industry and aligning with industry trends toward high-definition, high-brightness, ultra-large, and ultra-thin displays, Gocci Opto-electronics accelerated the automation and digitalization of optoelectronic display product manufacturing processes through the integrated application of high-precision sensors, machine vision, and intelligent algorithms, achieving quality improvements, speed enhancements, and cost optimization. During the Reporting Period, Gocci Opto-electronics successively launched a series of products, including non-luminous foamed diffuser plates, luminous foamed diffuser plates, ultra-large-size optical diffuser plates, and large-size laser-engraved light guide plates, driving technological innovations in complete systems and upgrades in backlight technologies, and transitioning from production leadership to technological leadership. To consolidate its competitive edge in the optical display sector, Gocci Opto-electronics intensified its research and development of quantum dot diffuser plates during the Reporting Period and actively promoted the application of perovskite quantum dot technology and cadmium selenide quantum dot technology among its partners. Meanwhile, its Dongguan base achieved full-scale production and obtained certifications from multiple customers, further expanding its customer base in South China and enhancing the Company's business growth and overall competitiveness in the South China market.

(5) *Sports and Health Sector*

The global artificial turf market has maintained steady expansion in recent years. Industry data shows that the global market size was approximately USD6.56 billion to 7.43 billion in 2025, and is expected to exceed USD13 billion by 2030, representing a compound annual growth rate (CAGR) of about 6% to 7%. Industry growth is primarily driven by the development of global sports infrastructure, increased demand for residential and commercial landscaping, and the widespread adoption of environmentally friendly and water-saving concepts. Subsidiary Guoen Sports Turf focuses on intelligent sports and health scenarios, providing customers with integrated products and full-chain services, including sports turf, synthetic running tracks, and supporting fitness equipment. The company's grass fibers and turf systems have obtained FIFA certification, with technical capabilities ranking among the industry's best, effectively driving an increase in market share within the sports sector. During the Reporting Period, export business demonstrated steady growth, with innovative products such as customized grass, non-directional grass, and fully recyclable grass receiving high recognition in overseas markets. The company acquired 16 new international customers, achieving significant market expansion results.

MANAGEMENT DISCUSSION AND ANALYSIS

By virtue of the rapid rise of global sports event commercialization and experiential consumption scenarios, the company introduced jacquard artificial turf technology during the reporting period and launched pattern-customizable artificial turf. These products offer significantly higher profitability compared to traditional turf, effectively increasing the proportion of high-value-added products, driving continuous optimization of the product mix, and further enhancing the company's overall profitability and market competitiveness.

3. *Organic Polymer Composite Materials*

(1) *New Energy Sector*

The domestic new energy vehicle market has experienced explosive growth in recent years, with penetration rates increasing annually, driving rapid development in the new energy supporting industries. Gon Composites seized industrial opportunities by deeply deploying in the energy storage and charging infrastructure sectors, focusing on product research, development, and market expansion for power battery composite materials. Regarding the HP-RTM process, the company accelerated the market expansion of chocolate ultra-thin battery pack products, achieving bulk supply to leading enterprises in the power battery sector. These products have been widely applied across multiple models of domestic mainstream new energy passenger and commercial vehicle manufacturers. Simultaneously, the company actively extended this technology to emerging application areas such as power battery composite material enclosures, successfully entering the supplier systems of multiple vehicle manufacturers, with some projects achieving bulk supply. In response to the industry trend of new energy vehicle battery packs upgrading to CTC/CTB architectures, the flat panel battery pack top covers were set to become a key technological focus in the next stage. During the Reporting Period, the company initiated the STM process development project, aiming to create a systematic solution compatible with next-generation battery pack top covers, while simultaneously advancing capacity and market deployment for related products. In the new energy vehicle charging pile business, the company completed iterative development of fourth-generation non-metallic DC terminal charging piles, wall-mounted charging piles, customized single-pile enclosures, and launched a series of supporting products, including lightweight non-metallic large wall panels for box-type substations, dust covers, louvers, and non-metallic roof covers. All these products have achieved stable supply. Leveraging the comprehensive resource advantages of its vertically integrated new materials industry platform, the company established a full-process integrated layout for SMC automotive exterior components, spanning material research and development to compression molding, providing a solid foundation for continuously expanding market share.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Other Sectors*

In the realm of high-end sheet materials, a series of lightweight, low-density, and high-strength products have been developed, applicable to industries such as automotive exterior components, livestock machinery, and telecommunications. Bulk supplies have already commenced to multiple commercial vehicle customers. In the medical and wellness sector, Zhejiang Guojiang New Materials Technology Co., Ltd., a joint venture established by subsidiary Gon Composites and Shanghai Fujiang New Materials Technology Co., Ltd., focuses on the innovative application of carbon fiber composite materials in the medical and health fields. Its main products include micro-hyperbaric oxygen chambers and special vehicles for hyperbaric oxygen chambers, aiming to become an industry leader in the wellness niche of carbon fiber composite materials. Meanwhile, subsidiary Liaoning Prospective Biotech has also made positive progress in the medical device business, successively launching products such as oxygen concentrators and Vital Glow intelligent health AI mirrors. As the concept of “proactive health management” becomes increasingly widespread, the application advantages of hyperbaric oxygen chambers in rehabilitation and wellness, trauma repair, altitude sickness, sports recovery, mood regulation, and anti-aging beauty have gradually become prominent. In the future, related products can be widely applied in various scenarios, including rehabilitation centres, elderly care institutions, high-altitude locations, school communities, beauty centres, hotel clubs, and households, providing technological support for a healthy lifestyle for the general public.

4. *Specialty Engineering Materials*

(1) *PEEK (Polyether Ether Ketone) Materials*

To meet market demand for specialty engineering materials, continuously enhance the Company’s core competitiveness in this field, and further consolidate its industry position in chemical new materials, the Company has been advancing the research, development, and application of specialty new materials such as PEEK in recent years, gradually establishing an integrated layout for PEEK materials from polymerization to modification and composite materials. Based on its proprietary continuous fiber reinforcement technology and through collaborative development with institutions possessing leading domestic technologies, the Company has completed the development of PEEK material production technology and core processes. During the Reporting Period, the Company planned and invested in the construction of two PEEK polymerization production lines at its Zhoushan base and obtained project approval, aiming to achieve an annual production capacity of 1,000 tons of PEEK materials. This will create an integrated supply chain from “PEEK resin -prepreg tape – high-end composite structural components”, fully leveraging synergies with the Company’s existing businesses and expanding the application of its high-performance engineering plastic products in robotics, aerospace, medical, and new energy vehicle sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) *High-End Specialty Materials for Aerospace*

To seize the strategic opportunities presented by the development of domestic large aircraft and high-end aviation equipment, break through technological barriers in aviation-grade transparent materials, and achieve domestic substitution and technological self-reliance in key materials, the Company has continuously invested in the formulation research and process development of CPMMA aviation-grade acrylic glass through joint international research efforts and independent innovation in recent years. Currently, the Company has achieved systematic breakthroughs in core areas such as material formulation design, dedicated equipment development, VPP vertical casting processes, multi-axis stretching technologies, and multifunctional coating systems. The key performance metrics of our products align with international advanced standards, enabling mass production of high-transparency (93%), high-strength, and high-weather-resistance premium acrylic sheets. This provides a technological foundation for domestic substitution and breaking the long-term monopoly by foreign enterprises. During the Reporting Period, the Company planned and invested in the construction of a project with an annual output of 20,000 m² of aviation-grade acrylic glass at its Qingdao production base and obtained project filing approval, aiming to establish a vertically integrated production base for aviation-grade transparent materials. Leveraging these technological advantages, the company is expected to become one of the few domestic suppliers capable of mass-producing aviation-grade transparent materials that comply with airworthiness standards, thereby entering the mainstream supply chains of domestic large aircraft, military aircraft, high-end drones, electric vertical takeoff and landing (eVTOL) aircraft, as well as industrial and rail transportation sectors. This not only enhances supply chain security for related industries but also opens up a new high-value-added growth avenue for the Company.

5. *Intelligent Lightweight Service Robots*

In response to the national robot industry development plan and the policy orientation of the “Robot+” application initiative, the Company has strategically initiated a robot industry layout by leveraging its accumulated advantages in high-performance modified materials and composite material research and development, as well as its expertise in lightweight structural technologies within the chemical new materials sector. It comprehensively expanded robot development and scenario-based application businesses through its subsidiary Guoen Future (Shenzhen). The Company will fully utilize its chemical new materials supply chain resource integration capabilities and a mature lightweight specialty material and composite material mass production system to deeply integrate high-end material technologies with the robot industry, constructing a full-chain lightweight solution covering “material design – structural optimization – functional realization” to provide core empowerment for robot products.

The Company has assembled a high-caliber technical R&D team and established an autonomous computing centre focused on the training and development of scenario-based AI large models for robots. During the Reporting Period, the Company successfully developed multiple robot products, including bipedal robots, quadrupedal robots, and household AI robots, marking substantive progress in extending its “New Materials+” strategy into embodied intelligent innovation industries.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of core technology R&D, the Company has set bipedal robot development as a key breakthrough objective, benchmarking against global top-tier technologies while simultaneously developing globally leading sensors, dexterous hands, joint modules, and other critical components, empowering embodied robots to be deployed across a wider range of application scenarios. To further enhance its R&D capabilities, the Company has established industry-university-research collaborations with multiple renowned institutions.

In terms of application scenario implementation, the Company is accelerating the commercialization of core technologies across multiple fields: In the smart wellness sector, leveraging efficient customized development capabilities, it has developed non-contact physiological monitoring and multimodal emotional interaction systems; in the intelligent security and emergency response sector, it focuses on developing special operation robots that meet high-level industry access standards for public security, firefighting, health and epidemic prevention, disaster relief, and biochemical environmental protection, emphasizing the development of intelligent inspection and security solutions equipped with advanced operating systems and panoramic perception devices, while significantly reducing weight through lightweight specialty materials to enhance battery life; simultaneously, in the smart service and industrial application sectors, it actively promotes strategic cooperation with leading AI enterprises, deeply integrating material lightweight advantages with edge intelligent decision-making systems to provide real-time data collection and analysis, as well as high payload-to-weight ratio solutions for scenarios such as smart hotels, smart buildings, and industrial logistics, effectively reducing customer operational costs and improving work efficiency.

With a mature industrial synergy system, the Company can leverage its proprietary production capacity resources and technical strength to ensure core material cost advantages and technological iteration efficiency. Through cross-disciplinary technology transfers such as material mechanics simulation and lightweight topology optimization, it has formed unique technological barriers in robot structural design, constructing differentiated product moats for vertical markets.

II. Health and Wellness Industry

Despite a phase of adjustment in the gelatin market, Dongbao Bio-Tech actively responded to challenges by virtue of its years of industry accumulation, technological innovation, and solid market foundations during the Reporting Period. On one hand, it strengthened technological innovation, promoted product upgrades, and accelerated the expansion of niche product applications in emerging fields, steadily advancing the applications of Pharmacopoeia Part II gelatin and collagen in medical, electrolytic copper foil, and textile sectors, while intensifying efforts to expand the applications of hollow capsule series products in the health supplements sector, with results gradually becoming evident. Favorable breakthroughs were achieved in the market promotion of Pharmacopoeia Part II gelatin, collagen, and the full range of empty capsule products during the Reporting Period. On the other hand, it deepened digital transformation, increased brand promotion, focused on refined management and cost reduction and efficiency enhancement, continuously optimized production operations and supply chain efficiency, and strengthened operational resilience, laying a corresponding foundation for subsequent steady business development.

MANAGEMENT DISCUSSION AND ANALYSIS

1. *Leveraging its product differentiation advantages, Dongbao Bio-Tech has deepened brand building, steadily advanced development in the niche market of gelatin, promoted steady growth in its capsule business, and continuously expanded into emerging fields such as collagen.*

During the Reporting Period, Dongbao Bio-Tech concentrated on refined operation of its gelatin, collagen, empty capsules, and TO C (direct-to-consumer) businesses. It actively participated in important domestic and international industry exhibitions such as HNC and CPHI, continuously strengthening the promotion of brands like “Golden Deer, Yuansu, Jianpai, and Beiyoumian”, resulting in a steady increase in brand awareness and market influence. The gelatin business, while consolidating its traditional applications, has focused on promoting a differentiated product portfolio. The business of gelatin listed in Pharmacopoeia Part II achieved steady growth, and halal gelatin successfully opened up sales markets. The gradual expansion of niche product markets has further enhanced its resilience to market fluctuations. The collagen business, relying on product upgrades and innovation, has achieved new breakthroughs in applications in fields such as electrolytic copper foil and textiles, realizing simultaneous growth in sales volume and revenue in new areas, which are also key markets for Dongbao Bio-Tech to break through in the future. The empty capsule business, by virtue of the brand reputation, customer base, and product innovation capabilities accumulated by Yiqing Bio-Tech over the years, witnessed deep cooperation with industry-leading enterprises. During the Reporting Period, the sales volume and revenue of all product lines increased year-on-year, with the application of products in the health supplement sector continuing to deepen. Overseas business (including indirect exports) also achieved steady expansion.

Against the backdrop of the continuous development of the health and wellness industry and the steady growth in demand for “Collagen+” consumption, Dongbao Bio-Tech, relying on its technological accumulation, quality reputation, and raw material advantages, has deepened raw material cooperation with emerging consumer brands, supporting the growth of its own brands and raw material business in applications among emerging brands. For the proprietary brand “Yuansu” positioned as a leading domestic collagen brand, the Company has established a sales network comprising online platforms and offline terminals such as self-operated stores, pharmacies, and group buying, providing consumers with diverse health options. The Company further synchronized and improved its proprietary brand system during the Reporting Period, and its health food product “Beiyoumian” Bone Collagen Peptide with Vitamin C Powder has been approved for market launch. The registration and application processes for health food approvals for products such as “Collagen Peptide Calcium Powder” and “Bone Collagen Peptide Calcium Tablets”, which help improve and increase bone density, being actively advanced, and will further enrich the terminal product portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Guided by demand, Dongbao Bio-Tech has established a research and development system that combines foundational research with application breakthroughs, empowering industrial upgrading through technology and further enhancing competitiveness.

Dongbao Bio-Tech has continuously improved its R&D system centred on market demand, solidified foundational research, focused on application conversion, and achieved substantial progress in key projects. For the special collagen project in the cashmere textile field, product formulations and cost control have been further optimized based on downstream trial feedback. A special biological protein liquid anti-pilling agent for cashmere has been successfully developed, highly compatible with existing finishing processes and significantly improving ease of use. This product has completed multiple batches of garment application trials with King Deer Cashmere Company, resulting in an improved anti-pilling grade. Simultaneously, its applications in cashmere-wool blends, wool fabric anti-pilling, and anti-pilling yarns are being explored. The ultra-low endotoxin gelatin project (with endotoxin content significantly reduced to below 30 EU/g) has initiated market engagement, enabling broader application as a bioactive material in the field of regenerative medical materials. The low-endotoxin collagen peptide project has developed a stable collagen endotoxin control process, with endotoxin levels below 100 EU/g, paving the way for future applications in the high-end medical aesthetics sector. Acylated modified gelatin has engaged with potential users, providing samples for preliminary efficacy testing. The next step is to further develop its applications in high-end medical devices and other fields. Hair care-specific collagen is ready for industrialization, and efforts are actively underway to facilitate market alignment. The industrialization of various projects and the deepening of patent layouts provide strong support for the Company to expand into application scenarios such as textiles and new energy and enhance its market influence. The secondary subsidiary Yiqing Bio-Tech has been awarded the “2024 Qingdao Industrial Internet Recognition Project” and “Scientific and Technological Achievement Certification”, and has been selected for the “2025 Reserved Major Industrial Project for the Conversion of Old and New Kinetic Energy in Shandong Province” and “2025 Qingdao Advanced-Level Smart Factory List”.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In 2026, the Group remains committed to making its products, platform, and services more global through the following development strategies:

1. **Develop overseas markets through investing in Hong Kong and deploying overseas production capacity:**

According to Frost & Sullivan, the size of the overseas organic polymer material modification market was approximately RMB0.96 trillion in 2024 and projected to reach RMB1.64 trillion by 2029, with an estimated compound annual growth rate of approximately 14.3% from 2025 to 2029. In view of low concentration of this industry and technological advantages possessed by Chinese companies, coupled with the trend of home appliance manufacturers expanding overseas, the Company plans to explore overseas markets, establish a regional headquarters in Hong Kong, and develop overseas production capacity and sales networks to create new growth drivers and enhance its global brand value.

The Company plans to establish a regional headquarters in Hong Kong as a global strategic hub, integrating R&D centers, brand showcases, and global marketing functions. Leveraging Hong Kong Petrochemical's production capacity for high-performance polystyrene (PS) and the deep-water port capable of accommodating 6,000-ton vessels, it aims to build an overseas production and shipping base while upgrading related facilities.

The Company has chosen Thailand as the first stop for its overseas production capacity layout, leveraging local geographical and policy advantages to serve downstream industrial clusters. Relying on future circumstances, it may further expand production in other overseas regions, following the global expansion of leading downstream home appliance enterprises to enhance customer loyalty and diversify revenue streams.

2. **Continue to expand production capacity layout to maintain economies of scale and increase market share:**

The Company plans to increase the market share in new chemical materials by expanding production capacity and establishing a multi-regional presence across the country. According to Frost & Sullivan, the size of the domestic new chemical materials market reached RMB1.12 trillion in 2024 and is expected to exceed RMB1.60 trillion by 2029, with a compound annual growth rate of approximately 7.4% from 2024 to 2029. Establishing production bases across multiple regions will facilitate integration into the industrial ecosystem, synergistic development and market expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Located in Qingdao's new materials industrial cluster with its subsidiary Gon Polymer.1 based in Zhoushan, Zhejiang, the headquarters leverage both road and sea transportation advantages to serve customers in East China, North China, South China, and overseas regions. The Company plans to expand production bases for organic polymer modified materials and composite materials in the Yangtze River Delta region, capitalizing on the area's convenient transportation network to efficiently connect with markets and supply chains, thereby reducing raw material procurement and logistics costs. Additionally, the Company has strategically invested in Gon Chemical (Dongming), establishing a production base in Heze, Shandong – a hub for fine chemical industry clusters to further strengthen its upstream supply chain layout.

In the future, the Company will establish Qingdao headquarters as its core and develop a local integrated industrial cluster production base across Shandong, Zhejiang, Jiangsu, and other regions from basic chemicals and fine chemicals to material modification and material compounding from point to area. By dynamically allocating production capacity and lines, the Company aims to meet market demands, reduce costs, enhance efficiency, and increase market share.

3. Drive high-quality development in the health and wellness sector with high value-added, technologically advanced products as the engine:

The health and wellness segment is an important part of the Company's "One Core, Two Wings" strategy. China's health and wellness market continues to experience rapid growth, with a compound annual growth rate of approximately 8.0%. It is projected to further expand to RMB14.8 trillion by 2029. The gelatin and empty capsule markets also maintain stable development, offering broad opportunities for business expansion. The Company places strong emphasis on R&D innovation, focusing on high-value, high-tech barrier products to solidify its market position, optimize its product portfolio, and enhance profitability.

As the sole domestic supplier in the plasma substitute gelatin field, the related products have been commercialized and selected into the national *Guide for Excellent and Innovative Consumer Goods* (《升級和創新消費品指南》). Its downstream product, succinylated gelatin injection, has been included in the Category B of the National Reimbursement Drug List. Ultra-low endotoxin gelatin, processed through special production techniques and technology, reduces endotoxin content to below 30 EU/g, meeting stringent requirements for high-end medical and aesthetic applications, with market connection already initiated. Specialized collagen for cashmere textiles enables environmentally friendly production and addresses industry pain points, currently undergoing production line testing. Specialized collagen additives for electrolytic copper foil have been commercialized, and the Company continues to optimize processes to capitalize on opportunities in the new energy industry.

Going forward, the Company will rely on the dual drivers of technological innovation and refined management to solidify its internal growth momentum and propel self-driven development to new heights.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Further enhance R&D capabilities to explore high-value products and improve production efficiency:

The Group has thoroughly capitalized on the opportunities presented by the new energy revolution and the “dual carbon” strategy. Through core technology reserves, optimized production capacity layout, and dynamic market responsiveness, it has deepened its strategic focus on polymer material innovation. Key initiatives include in-depth research and development of high-purity dianhydride monomers and polyimide polymer materials, PSPI photoresist materials, C9 mixed aromatic hydrocarbon pre-hydrogenation materials, low-temperature resistant lubricating greases based on isononyl acid esters and isononyl acid, as well as high-purity paramethylstyrene (PVT). The Group is intensifying development efforts and investments while establishing a dynamic evaluation mechanism. It will initiate related project construction in a timely manner based on industry trends and market demands.

5. Extend the industrial chain through acquisition or investment and strengthen the innovation chain and value chain:

Leveraging over two decades of industry expertise and a solid operational track record, the Group will continue to explore strategic partnerships, investments, and acquisition opportunities that generate business synergies. The Group believes that extending the industrial chain through acquisitions and investments will not only accelerate the development of an integrated industrial platform but also introduce external innovation drivers, strengthen innovation capabilities, and enhance value chain positioning.

The Group intends to focus on the new chemical materials and health and wellness industries both domestically and internationally, selecting and investing in high-quality targets. Key considerations include: having strong synergies with the Company’s existing businesses, possessing leading R&D capabilities within the industry, and being located within core industrial clusters.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenues generated from sales of products and provision of services during the periods indicated. The amount of revenue generated from the new chemical materials segment represented approximately 95.6% and 96.5% of revenue generated from sales of products in 2024 and 2025, respectively. The amount of revenue generated from health and wellness segment represented 4.4% and 3.5% of revenue generated from provision of services in 2024 and 2025, respectively.

	Year ended 31 December			
	2025		2024	
	RMB	%	RMB	%
	(in thousands, except for percentages)		(in thousands, except for percentages)	
New Chemical Materials Segment				
Green Petrochemical Materials	5,289,697	24.9	3,869,138	20.2
Organic polymer modified materials	10,357,221	48.7	10,324,910	53.8
Organic polymer composite materials	3,917,302	18.4	3,175,422	16.5
Others	941,483	4.5	965,465	5.1
Health and Wellness				
Gelatin, collagen and their derivatives	331,659	1.6	483,574	2.5
Empty capsules	411,768	1.9	366,635	1.9
Others	2,101	0.0	2,367	0.0
Total	21,251,231	100.0	19,187,511	100.0

In fiscal year 2025, the Group's revenue amounted to approximately RMB21,251.2 million, representing an increase of approximately 10.8% from approximately RMB19,187.5 million in fiscal year 2024, mainly reflecting the following:

- (i) revenue from sales of new chemical materials increased by approximately 11.8% from approximately RMB18,334.9 million for the year ended 31 December 2024 to approximately RMB20,505.7 million for the year ended 31 December 2025, primarily attributable to (i) the green petrochemical bases (including the Zhejiang (Zhoushan) and Jiangsu (Yizheng) bases) focusing on polystyrene and polypropylene polymerization and related industries, with strengthened efforts in research and development, production, and marketing; and (ii) enhanced cooperation with existing customers to promote continuous sales growth.
- (ii) revenue from Health and Wellness segment decreased by approximately 12.6% from approximately RMB852.6 million for the year ended 31 December 2024 to approximately RMB745.5 million for the year ended 31 December 2025, primarily due to the intensified market fluctuations in gelatin-related market, resulting in a decrease in product prices, sales volume and sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The Group's cost of sales comprises (i) raw material costs, such as resins for the new chemical materials segment and bone granules for the health and wellness segment; and (ii) other costs, including (a) employee compensation and benefits, (b) depreciation of plant and equipment, and (c) transportation costs. The Group's cost of sales increased from approximately RMB17,595.3 million for the year ended 31 December 2024 to approximately RMB19,040.8 million for the year ended 31 December 2025, which was generally in line with the revenue trend.

Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and gross profit margin by business line for the periods indicated:

	2025		2024	
	RMB (in thousands, except for percentages)	%	RMB (in thousands, except for percentages)	%
New Chemical Materials Segment				
Green Petrochemical Materials	307,315	5.8	168,431	4.4
Organic polymer modified materials	1,231,343	11.9	918,492	8.9
Organic polymer composite materials	491,135	12.5	279,067	8.8
Others ⁽¹⁾	27,311	2.9	28,546	3.0
Subtotal	2,057,104	10.0	1,394,536	7.6
Health and Wellness Segment				
Gelatin, collagen and their derivatives ⁽²⁾	56,767	17.1	121,040	25.0
Empty capsules	95,218	23.1	76,548	20.9
Others ⁽³⁾	1,301	61.9	48	2.0
Subtotal	153,286	20.6	197,636	23.2
Total	2,210,390	10.4	1,592,172	8.3

The Group's gross profit increased by approximately 38.8% from approximately RMB1,592.2 million for the year ended 31 December 2024 to approximately RMB2,210.4 million for the year ended 31 December 2025, primarily due to the increase in sales volume and gross profit margin of the products in the Group's new chemical materials segment.

The Group's gross profit margin for the year ended 31 December 2025 was approximately 10.4%, representing an increase of approximately 2.1% as compared with the gross profit margin of approximately 8.3% for the year ended 31 December 2024, primarily due to the economies of scale brought by the increase in capacity utilization rate of the new chemical materials segment, resulting in a decrease in unit costs, and enhanced production efficiency as a result of improved production processes and technological upgrades.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains

The Group's other income and gains decreased by approximately 70.0% from approximately RMB337.5 million for the year ended 31 December 2024 to approximately RMB101.4 million for the year ended 31 December 2025, primarily due to (i) a decrease in additional value-added tax deductions of RMB30.7 million; (ii) the recognition of impairment losses on intangible assets and goodwill of RMB49.3 million and RMB1.7 million, respectively, resulting from the lower-than-expected performance of Dongbao Bio-Tech; and (iii) a reduction in bargain purchase gains arising from the acquisition of subsidiaries, from RMB168.2 million in 2024 to RMB77,000 in 2025.

Sales and Marketing Expenses

The Group's sales and marketing expenses increased by approximately 6.8% from approximately RMB135.0 million for the year ended 31 December 2024 to RMB144.2 million for the year ended 31 December 2025, primarily due to (i) with the growth of the Group's revenue, more sales and marketing personnel were recruited, resulting in an increase in salaries, remuneration and benefits; and (ii) as construction in progress was gradually transferred to plant and buildings (part of which are used as our sales centers and offices for the marketing department), resulting in an increase in depreciation and amortization.

Administrative Expenses

Administrative expenses and research and development costs increased by approximately 26.7% from approximately RMB252.3 million for the year ended 31 December 2024 to RMB319.6 million for the year ended 31 December 2025, primarily due to the (i) an increase in employee compensation and office expenses resulting from the expansion of business operations and the associated increase in the number of administrative personnel; (ii) an increase in depreciation and amortization expenses arising from the acquisition of office properties and equipment; (iii) an increase in taxes and surcharges due to the gradual capitalization of construction in progress as well as an increase in land use rights and properties; and (iv) an increase in urban maintenance and construction tax and education surcharges attributable to the increase in gross profit margin on sales.

Research and Development Costs

Research and development costs increased by approximately 15.9% from approximately RMB591.3 million for the year ended 31 December 2024 to RMB685.5 million for the year ended 31 December 2025, primarily due to (i) an increase in raw materials used in research and development projects resulting from intensified R&D efforts across various application materials; and (ii) an increase in depreciation and amortization arising from newly added R&D-related office buildings and equipment.

Finance Costs

Financial costs increased by approximately 25.4% from RMB144.6 million for the year ended 31 December 2024 to approximately RMB181.4 million for the year ended 31 December 2025, primarily due to (i) interest expenses on bank and other borrowings increased by RMB28.5 million, which was due to the Group's strategic decision to increase borrowings in 2025 (a period of relatively low interest rates) to support business operations; and (ii) interest on discounted bills receivable increased by RMB 12.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

Income tax expenses increased by approximately 62.4% from approximately RMB76.5 million for the year ended 31 December 2024 to approximately RMB124.2 million for the year ended 31 December 2025, primarily due to the increase in our profit before tax.

Profit for the Year

As a result of the foregoing, profit for the year increased by approximately 16.1% from approximately RMB720.6 million for the year ended 31 December 2024 to approximately RMB836.8 million for the year ended 31 December 2025.

Property, Plant and Equipment

The Group's property plant and equipment mainly consist of construction-in-progress, plant and buildings, machinery and equipment, furniture and fixtures, motor vehicles.

The value of the property, plant and equipment increased by approximately 6.1% from approximately RMB5,620.5 million as at 31 December 2024 to approximately RMB5,962.3 million for the year ended 31 December 2025, primarily due to continued investment in production bases, as well as the transfer of certain construction-in-progress projects in Qingdao, Zhejiang and other locations to fixed assets.

Trade and Bills Receivables

As part of the Group's and the Company's cash flow management, a substantial part of the trade receivables are settled by bills received from customers and the Group and the Company have the practice of endorsing substantial part of the bills to suppliers or discounting the bills to banks before the bills are due for payment and derecognise the bills endorsed or discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, such bills receivables were considered as within the business model to hold to collect contractual cash flows and to sell business model, and classified as bills receivables at Equity instruments designated at fair value through other comprehensive income (FVTOCI).

The Group's trade and bills receivables (less: expected credit loss) increased from approximately RMB3,454.6 million as at 31 December 2024 to approximately RMB3,567.5 million for the year ended 31 December 2025. The increase in trade and bills receivables was broadly in line with the increase in sales during the same period.

Financial Assets at Fair Value

The Group's financial assets at fair value through profit and loss (FVTPL) decreased by approximately 100% from approximately RMB2.5 million as at 31 December 2024 to nil as at 31 December 2025, mainly due to the disposal of financial assets at FVTPL during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Payables

Trade and other payables primarily consist of (i) trade payables and bills payable, which refer to the unpaid amounts due to our suppliers of production materials, (ii) construction payables, (iii) taxes other than income tax, and (iv) unrecognised and unmatured endorsed bills receivable.

The Group's trade and other payables increased by approximately 5.7% from approximately RMB4,755.5 million as at 31 December 2024 to approximately RMB5,027.0 million as at 31 December 2025, primarily due to the increase in notes payable resulting from the increased use of notes.

Cash and Cash Equivalents

The Group's cash and cash equivalents increased by approximately 9.3% from approximately RMB2,014.8 million as at 31 December 2024 to approximately RMB2,202.8 million as at 31 December 2025 (approximately 96.0% of which was denominated in RMB).

Net Current Assets

The Group's net current assets increased from approximately RMB3,558.0 million as at 31 December 2024 to approximately RMB3,857.8 million as at 31 December 2025, primarily attributable to (i) an increase in inventories of RMB497.6 million; (ii) an increase in bank balances and cash of RMB188.0 million; (iii) an increase in bills receivables at FVTOCI of RMB160.5 million; (iv) an increase in assets classified as held for sale of RMB167.0 million; (v) an increase in trade and bills receivables of RMB112.9 million, partially offset by (i) an increase in bank and other borrowings of RMB588.1 million; and (ii) an increase in trade and other payables of RMB271.5 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group financed its operations primarily through cash generated from its operating activities and proceeds from bank borrowings. As at 31 December 2025, cash and cash equivalents of the Group amounted to approximately RMB2,202.8 million (31 December 2024: approximately RMB2,014.8 million). Looking ahead, we believe that our liquidity needs will be satisfied by cash generated from operating activities, bank facilities and the net proceeds from the Listing.

Bank and Other Borrowings

As at 31 December 2025, the Group had bank and other borrowings of approximately RMB6,147.3 million (31 December 2024: approximately RMB5,743.5 million). The amount of fixed-rate borrowings was RMB2,399.4 million, accounting for 39.0% of the total loans.

Pledge of Assets

As at 31 December 2025, the Group had pledged assets of RMB1,038.8 million (31 December 2024: RMB1,434.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

Gearing ratio equals total debt divided by the Company's total equity as of the end of the period. Total debt includes lease liabilities, convertible bonds and borrowings. The Group's gearing ratio for the year ended 31 December 2025 was 86.2% (31 December 2024: approximately 88.6%).

Contingent Liabilities

As at 31 December 2025, the Group did not have any outstanding material contingent liabilities (31 December 2024: nil).

Capital Expenditures

The Group's capital expenditures primarily consist of expenditures for property, plant and equipment, right-of-use assets, intangible assets and acquisition of subsidiaries. The Group has financed its capital expenditures primarily through cash flow from operations and bank and other borrowings. The Group incurred capital expenditures of approximately RMB745.6 million for the year ended 31 December 2025 (2024: approximately RMB705.5 million).

MARKET RISK

The Group is exposed to a variety of market risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk, as set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. During the Reporting Period, the Group did not hedge or consider necessary to hedge any of these risks.

Interest Rate Risk

The Group's cash flow interest rate risk mainly relates to its floating-rate bank borrowings, restricted bank deposits and bank balances.

The Group is also exposed to fair value interest rate risk, which mainly relates to fixed-rate bank and other borrowings, the interest-bearing portion of convertible bonds. The Group currently does not conduct any interest rate swaps to hedge its exposure to fair value interest rate risk. However, our management will consider hedging significant interest rate risks when necessary.

Foreign Currency Risk

The Group's transactions are primarily denominated in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange risk arising from assets and liabilities denominated in currency other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in HKD, EUR and USD. Our management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposures when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit Risk

To minimise the credit risk of trade and bills receivables, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts.

In addition, the Group reviews the recoverable amounts of these balances individually and/or collectively at the end of the year/period to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The management of the Company closely monitor the liquidity position and its compliance with lending covenants and expect to have adequate sources of funding to finance the Group's operations.

OTHER INFORMATION

Significant Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Company did not have any significant investment, acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

The Group will arrange future investment or capital asset acquisition plans in accordance with the strategic planning and actual operating conditions.

Use of Proceeds from the Offering

The 30,000,000 H Shares were listed on the Main Board of the Stock Exchange on 4 February 2026 with an offer price of HK\$36.0 per H Share, with net proceeds received by the Company from the Global Offering in the amount of approximately HK\$1,000.4 million after deducting the listing expenses payable by the Company in connection with the Global Offering. The Company intends to apply the net proceeds in the same manner and proportions as set out in the section titled "Future Plans and Use of Proceeds" in the Prospectus. The utilization of proceeds from Global Offering as of the Latest Practicable Date is set out in the table below.

MANAGEMENT DISCUSSION AND ANALYSIS

	% of the total net proceeds^(Note)	Net proceeds from the Global Offering (HK\$ in millions)	Actual utilised amount as of the Latest Practicable Date (HK\$ in millions)	Unutilised amount as of the Latest Practicable Date (HK\$ in millions)	Expected timeline of full utilization
Building the Thailand production base	50.0	500.2	9.5	490.7	By 31 December 2028
Building the Yixing production base	35.0	350.1	36.4	313.8	By 31 December 2028
Investment in Hong Kong	10.0	100.0	–	100.0	By 31 December 2028
Working capital for general use	5.0	50.0	–	50.0	By 31 December 2028
Total	100.0	1,000.4	45.9	954.5	

Note: The aggregate of the figures in the table above may not add up to the relevant sub-total or total figures shown due to rounding of the figures to one decimal place

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had a total of 5,532 full-time employees (31 December 2024: 5,687), substantially all of whom are stationed in China. For the year ended 31 December 2025, the employee benefit expenses of the Group amounted to approximately RMB678.5 million (for the year ended 31 December 2024: approximately RMB549.0 million).

The Group believes that the expertise, experience and professional development of its employees contributes to its growth. The Group proactively recruits qualified personnel with professional capabilities and working experience related to the Company's business in the new chemical materials and health and wellness segment to support the sustainable growth of business.

The remuneration package of employees of the Group includes salary and bonus, which are generally based on their qualifications, industry experience, position and performance. In addition, the Group provides training programs regularly for employees, in compatible with practical needs, covering key areas in its business operations, including but not limited to corporate culture and policies, technical knowledge required for certain positions, leadership skills and general knowledge about the nature of the Group's services.

As at the Latest Practicable Date, the Company has no outstanding future employee incentive plan or restricted share incentive plan.

REPORT OF THE BOARD

The Board is pleased to present this Report of the Board together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research, development, production, and sales of plastic raw materials and products, modified plastics, plastic alloy materials, functional plastic sheets, molds, composite materials and products, gelatin, collagen and its derivatives, biopharmaceuticals and health products. During the Reporting Period and up to the date of this report, there has been no major change in the nature of the Group's principal business activities.

PERFORMANCE REVIEW

A review of the Group's business during the Reporting Period, which includes an analysis of the Group's performance using key financial performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future development in the company's business are set out in the section headed "Management Discussion and Analysis" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and communities in which it operates and has not noted any material non-compliance with applicable environmental protection laws and regulations in relation to its business. The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving.

A comprehensive review of the Group's environmental policy and performance for the Reporting Period is set out in the "2025 Environmental, Social and Governance (ESG) and Sustainability Report".

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control.

- The Group relies on a stable and consistent supply of quality raw materials which are subject to price fluctuations and other risks.
- Any material disruption to the Group's production facilities and production base may adversely affect the Group's business.
- The Group may not be able to compete effectively in the new chemical materials market and the health and wellness markets.
- The Group's operations are subject to risks relating to emission of pollutants and use of hazardous chemicals.
- The Group may not be able to adequately protect our intellectual property rights and any unauthorised use of our intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect the Group's business and reputation.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group actively communicates with stakeholders such as customers, employees, investors and Shareholders, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, which the Group regards as an important basis for improving operational management and sustainable development standards. In order to fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes. We are fully aware that communication with stakeholders is an important and continuous process. In the future, we will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Details of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group are set out in the "2025 Environmental, Social and Governance (ESG) and Sustainability Report".

REPORT OF THE BOARD

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, sales volume to the Group's largest and five largest customers accounted for 5.6% and 23.7% of the Group's total sales volume, respectively.

For the year ended 31 December 2025, purchase amount to the Group's largest and five largest suppliers accounted for 6.9% and 23.9% of the Group's total purchase amount, respectively.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of the issued Shares) was interested in the five largest customers or suppliers of the Group.

DIRECTORS

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

Executive Directors

Mr. Wang Aiguo (*Chairman*)

Mr. Li Zonghao

Ms. Li Huiying

Mr. Han Bo

Independent non-executive Directors

Mr. Wang Yaping

Mr. Sun Jianqiang

Ms. Hong Ting

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographies of our Directors and senior management of our Group are set out in the section headed "Directors and Senior Management" of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

SERVICE CONTRACTS OF THE DIRECTORS

Each of our Directors has entered into a service contract or appointment letter with our Company. The appointment of all Directors (except for Mr. Han Bo and Ms. Hong Ting who will be appointed from 6 June 2025 to 17 May 2026 (namely, the expiry date of term of office of the Fifth Board)) is effective from the respective appointment date for three (3) years subject to the termination in accordance with respective termination provisions.

Save as disclosed above, none of the Directors has entered into a service contract or an appointment letter with the Group, which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No Directors or any entity connected with the Directors had material interests in, either directly or indirectly, any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party subsisted during or at the end of the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

No Directors or any of their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group during the Reporting Period.

PERMITTED INDEMNITY PROVISION

The Group has purchased and maintained liability insurance to provide appropriate coverage for the Directors. The permitted indemnity provisions are set out in such liability insurance.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this annual report (although no H shares were issued in the 2025 fiscal year, the Chairman and persons acting in concert held shares in the A shares), the Company did not grant any rights to any Directors or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of Shares in or debentures of the Company. The Company, its holding company, or any of its subsidiaries or fellow subsidiaries were not a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.



REPORT OF THE BOARD

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals for the Reporting Period are set out in Note 12 to the Consolidated Financial Statements in this annual report.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group has not entered into any connected transaction which is discloseable under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions conducted by the Group during the Reporting Period is set out in Note 51 to the Consolidated Financial Statements in this annual report. With respect to such related party transactions, those transactions which constitute continuing connected transactions of the Company constitute fully exempted continuing connected transactions of the Company under the Listing Rules. The Board confirmed that Group has complied with the disclosure requirements for connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this report, no contract of significance (including contract of significance for the provision of services) was entered into between the Group and the Controlling Shareholders or any of its subsidiaries during the Reporting Period.

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

Save as disclosed below, as at the Latest Practicable Date, so far as our Directors are aware, none of our Directors and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code.

Name	Position	Nature of interest	Number and class of Shares held	Approximate percentage of shareholding in the share capital of the same class as of the Latest Practicable	Approximate percentage of shareholding in the total issued and outstanding share capital of our Company as of the Latest Practicable
				Date ⁽¹⁾ (%)	Date ⁽¹⁾ (%)
Mr. Wang Aiguo	Chairman of our Board, executive Director and general manager	Beneficial owner	126,000,000 (A Shares)	46.45	41.83
		Interest of spouse ⁽²⁾	27,000,000 (A Shares)	9.95	8.96
		Interest in treasury shares ⁽³⁾	6,250,000 (A Shares)	2.30	2.07

Notes:

- The calculation is based on the total number of 271,250,000 A Shares in issue (which included 6,250,000 treasury shares) and 30,000,000 H Shares in issue.
- Ms. Xu Bo is the spouse of Mr. Wang Aiguo. By virtue of the SFO, Mr. Wang Aiguo and Ms. Xu Bo are deemed to be interested in all the Shares held by each other. As of the Latest Practicable Date, Ms. Xu Bo and Qingdao Century Xinghao Investment Co., Ltd.* (青島世紀星豪投資有限公司) (“Xinghao Investment”) directly held 9,000,000 A Shares and 18,000,000 A Shares, respectively. Xinghao Investment is controlled and held as to 83.30% by Ms. Xu Bo. By virtue of the SFO, Ms. Xu Bo is deemed to be interested in all the Shares held by Xinghao Investment.
- As of the Latest Practicable Date, there were 6,250,000 A Shares repurchased and held as treasury shares. Mr. Wang Aiguo who controls more than one-third of the voting power at the general meetings of our Company would be taken to have an interest in such repurchased A Shares held by our Company.

REPORT OF THE BOARD

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the Latest Practicable Date, the following persons/entities (other than the Directors and chief executive officer of the Company) have interests and/or short positions in our Shares or our underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO, or are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Name	Nature of interest	Number and class of Shares held	Approximate percentage of shareholding in the share capital of the same class as of the Latest Practicable Date ⁽¹⁾	Approximate percentage of shareholding in the total issued and outstanding share capital of our Company as of the Latest Practicable Date ⁽¹⁾
Ms. Xu Bo	Beneficial interest	9,000,000 (A Shares)	3.32	2.98
	Interest in controlled corporation ⁽²⁾	18,000,000 (A Shares)	6.64	5.98
	Interest of spouse ⁽³⁾	132,250,000 (A Shares)	48.76	43.90
Xinghao Investment	Beneficial interest	18,000,000 (A Shares)	6.64	5.98
First Seafront Fund Series SPC	Beneficial interest	3,055,400 (H Shares)	10.18	1.01
First Seafront Holding Limited	Interest in controlled corporation ⁽⁴⁾	3,055,400 (H Shares)	10.18	1.01
SLD International Enterprises Limited	Beneficial interest	2,222,200 (H Shares)	7.41	0.74
Shen Zhenyu	Interest in controlled corporation ⁽⁵⁾	2,222,200 (H Shares)	7.41	0.74

Notes:

- The calculation is based on the total number of 271,250,000 A Shares in issue (which included 6,250,000 treasury shares) and 30,000,000 H Shares in issue.
- As of the Latest Practicable Date, Xinghao Investment directly held 18,000,000 A Shares and Xinghao Investment is controlled and held as to 83.30% by Ms. Xu. By virtue of the SFO, Ms. Xu is deemed to be interested in all the Shares held by Xinghao Investment.
- Mr. Wang Aiguo is the spouse of Ms. Xu Bo. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

REPORT OF THE BOARD

4. As of the Latest Practicable Date, First Seafront Fund Series SPC is controlled by First Seafront Asset Management Limited as the investment manager on a discretionary basis. First Seafront Asset Management Limited is ultimately owned by First Seafront Holding Limited, and no ultimate beneficial owner holds 30% or more interest in First Seafront Asset Management Limited. No single investor holds 30% or more interest in the fund, and no ultimate beneficial owner holds 30% or more interest in the fund. By virtue of the SFO, First Seafront Holding Limited is deemed to be interested in all the Shares held by First Seafront Fund Series SPC.
5. As of the Latest Practicable Date, SLD International Enterprises Limited is owned as to 90% by Shen Zhenyu. By virtue of the SFO, Shen Zhenyu is deemed to be interested in all the Shares held by SLD International Enterprises Limited.

Save as disclosed above, as of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other persons/entities who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interest of substantial shareholder in non wholly owned subsidiary of the Company

As of the Latest Practicable Date, the Directors are not aware of any persons (other than the Directors or chief executive) who has, directly or indirectly, acquired interests 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 other member of our Group.

SHARE CAPITAL

The Company issued 30,000,000 H Shares at HK\$36.0 per H Share on 4 February 2026 for the Listing. Details of the share capital of the Company are set out in Note 37 to the Consolidated Financial Statements in this annual report.

DEBENTURE

The Group did not issue any debenture during the Reporting Period.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the Reporting Period.

FINAL DIVIDEND AND THE 2025 CAPITAL RESERVE CAPITALIZATION PLAN

The Board has resolved to recommend a final dividend of RMB0.5 per share for the year ended 31 December 2025, amounting to approximately RMB147.5 million, subject to the approval at the forthcoming annual general meeting of the Company (the "**AGM**"). The record date for Shareholders entitled to receive the proposed final dividend, the book closure period for share transfer registration procedures, and other information related to the dividend distribution will be announced by the Company in due course.

REPORT OF THE BOARD

Furthermore, to further reward the Shareholders, the Board resolved to propose the 2025 Capital Reserve Capitalization Plan as follows: based on the total share capital as at the record date for the equity distribution less the shares repurchased in the specific repurchase account of the Company, to issue Shares (excluding the 6,250,000 treasury shares) on the basis of 4.8 Capitalization Shares for every ten (10) Shares in issue by way of capitalization of the Company's capital reserve. If the Company's total share capital changes on the record date of distribution, the Company will maintain the amount of distribution per Share and transfer proportion unchanged, and adjust the total amount of distribution per Share and transfer accordingly. In such case, the Company will make further announcement to the Shareholders.

For the avoidance of doubt, the 6,250,000 treasury shares are not entitled to the proposed final dividend, and are not subject to the 2025 Capital Reserve Capitalization Plan.

Proposed Capitalization Issue under the 2025 Capital Reserve Capitalization Plan

Based on the total number of issued Shares of 301,250,000 (consisting of 271,250,000 A Shares and 30,000,000 H Shares) as at the date of this Report, after deducting the 6,250,000 repurchased shares in the specific repurchase account of the Company, assuming no further Shares will be issued or repurchased and cancelled before the record date (excluding the 6,250,000 treasury shares), the aggregate number of A Shares proposed to be distributed is 127,200,000; and the aggregate number of H Shares proposed to be distributed is 14,400,000 ("**Capitalization Shares**").

Immediately upon completion of the issuance of Capitalization Shares ("**Capitalization Issue**"), the total number of Shares in issue of the Company will increase to 442,850,000 Shares. In the event of change in the total issued Shares before the record date for the distribution, the Company will maintain the amount of distribution per Share and transfer proportion unchanged, and the total number of new Shares to be issued under the Capitalization Issue to all Shareholders will be adjusted accordingly. The record date and arrangements for distribution will be further detailed in the circular issued by the Company and announced later and despatched to the Shareholders.

CONDITIONS TO THE CAPITALIZATION ISSUE

The Capitalization Issue is conditional on the satisfaction of the following conditions:

- (a) approval of the 2025 Capital Reserve Capitalization Plan by the Shareholders by way of special resolution(s) at the AGM;
- (b) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the new H Shares to be allotted and issued under the Capitalization Issue; and
- (c) compliance with the relevant legal procedures and requirements under the Company Law and approval of the Capitalization Issue by the relevant authorities in the PRC (if so required) to effect the Capitalization Issue (including the change of registration with the competent administration in respect of the increase of the registered capital in accordance with PRC laws).

Status of the Capitalization Shares

The Capitalization Shares will rank pari passu in all respects with the Shares in issue on the date of the Capitalization Issue. Holders of Capitalization Shares will be entitled to receive all future dividends and distributions (if any) which are declared, made or paid after the date on which the Capitalization Shares are allotted and issued. The Capitalization Shares should not result in any change to the rights of the Shares.

Reasons for the 2025 Capital Reserve Capitalization Plan

As of 31 December 2025, the total reserves available for distribution to the equity shareholders of the Company amounted to RMB4,257.8 million, and the balance of capital reserve – share premium was approximately RMB920.2 million. The Company had sufficient distributable profits and capital reserve for the 2025 Capital Reserve Capitalization Plan.

Given that the Company is currently in sound operational and financial performance, with full consideration of the interests of investors and ensuring normal operations and long-term development, the 2025 Capital Reserve Capitalization Plan will enable all Shareholders to share in the Company's business achievements, contribute to the optimization of share capital structure, maintain alignment between capital expansion and performance growth, achieve deeper integration between investors and consumers, expand the investor base, enhance stock liquidity, and improve engagement and a sense of gain among investors.

Based on the above, the Board is of the view the Capitalization Issue is in the interests of the Company and the Shareholders as a whole.

The 2025 Capital Reserve Capitalization Plan is subject to Shareholders' approval at the AGM by way of special resolution(s). The Board agrees with the 2025 Capital Reserve Capitalization Plan, and subject to the authorisation by the Shareholders' meeting, it is agreed that Mr. Wang Aiguo, the Chairman of the Company, be authorised to have the right to deal with and decide at his absolute discretion on the specific implementation of the 2025 Capital Reserve Capitalization Plan, including but not limited to: (a) to apply to the relevant domestic and overseas regulatory authorities, institutions and stock exchanges for review and examination, registration, filing, approval and consent and other procedures, and to apply for the listing of, and permission to deal in, the shares on the stock exchanges; and (b) to consider, approve and sign the documents, applications, announcements, instructions and other relevant documents in relation to the plan, and to approve the signing, execution, amendment and supplementation of such documents.

A circular containing, among other things, details of the 2025 Capital Reserve Capitalization Plan, including the Capitalization Issue, together with the notices of the AGM will be despatched in due course.

DISTRIBUTABLE RESERVES

As of 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB4,257.8 million.

REPORT OF THE BOARD

USE OF PROCEEDS FROM THE LISTING

Details of the Group's use of proceeds from the Listing as at the Latest Practicable Date are set out in relevant content of "Management Discussion and Analysis – Use of Proceeds from the Listing" in this annual report.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As of the Latest Practicable Date, the Company has repurchased and held 6,250,000 A shares as the treasury shares, which are deposited in the Company's share repurchase account. There was no purchase of H shares made by the Company nor any of its subsidiaries since the Listing Date and up to the date of this annual report. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) since the Listing Date and up to the Latest Practicable Date.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Information about principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to our Company and to the best of our Directors' knowledge, information and belief, (a) the H Shares became listed on HKEx on the Listing Date; and (b) during the period from the Listing Date to the date of this annual report, the Company had sufficient public float for the H Shares.

TAX RELIEF AND EXEMPTION

During the Reporting Period, the Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the securities of the Company.

PRE-EMPTIVE RIGHTS

There is no arrangement for pre-emptive rights in accordance with the PRC laws and the Articles of Association, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events occurred from the end of the Reporting Period to the date of this report.

REPORT OF THE BOARD

AUDITOR

SHINEWING (HK) CPA Limited has audited the consolidated financial statements for the year ended 31 December 2025.

Given that the Company has adopted the Chinese Accounting Standards for Business Enterprises for preparing the financial statements since 2026, the Company intends to propose a resolution at its 2025 Annual General Meeting to re-appoint ShineWing Certified Public Accountants (Special General Partnership) as the auditor for the Company's China Accounting Standards. If the relevant resolution is approved at the Annual General Meeting, the Company will cease to appoint SHINEWING (HK) CPA Limited as its auditor. The Company will announce the details of the aforesaid resolution in due course.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As of the date of this annual report, save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

On Behalf of the Board
QINGDAO GON TECHNOLOGY CO., LTD.
Mr. Wang Aiguo
Chairman of the Board and Executive Director

Hong Kong, 30 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Group's development and protection of the interests of its Shareholders.

The Group is fully aware of the importance of the Board in providing targeted guidance for the Group's business and ensuring the operational transparency and accountability system. The Board fully understands that good corporate governance is key to leading the Group to success and enhancing Shareholders' value. Therefore, the Board has elaborated a series of corporate governance policies and systems with the aim of fully protecting Shareholders' interests and continuously enhancing corporate value. At the same time, all Directors shall adhere to the principle of impartiality, lead by example and actively promote and practice the corporate culture to jointly facilitate the steady development of the Group.

The Company has adopted the relevant code provisions of the Corporate Governance Code as the basis for its corporate governance practices. The Board is of the view that the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period.

The amendment to the Corporate Governance Code became effective on 1 July 2025. The new requirements under the revised Corporate Governance Code will apply to the Company's corporate governance reports and annual reports for financial years commencing on or after 1 July 2025. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the new Corporate Governance Code and alignment with the latest developments.

THE BOARD

The Board is the core decision-making organization of the Company and assumes the responsibilities for the leadership and control of the Group, and supervising and approval of financial performance, strategic development objectives and major business decisions. Meanwhile, the Board has delegated to the management the responsibilities for the Group's daily operations and business management according to the Board's instructions.

CORPORATE GOVERNANCE REPORT

1. Board Composition

The composition of the Board since the Listing Date and up to the date of this report is as follows:

	Date of Appointment	Current Period of Appointment
Executive Directors		
Mr. Wang Aiguo (<i>Chairman and general manager</i>)	December 2000 (as executive Director), July 2011 (as Chairman)	Three years
Mr. Li Zonghao	July 2011	Three years
Ms. Li Huiying	July 2017	Three years
Mr. Han Bo	June 2025	Up to 17 May 2026
Independent non-executive Directors		
Mr. Wang Yaping	July 2020	Three years
Mr. Sun Jianqiang	May 2023	Three years
Ms. Hong Ting	June 2025	Up to 17 May 2026

Biographies of the Directors are set out in the section headed “Directors and Senior Management” of this annual report. To the best of the Directors’ knowledge, there is no other relationships (including financial, business, family or other material/relevant relationship(s)) between any member of the Board and other directors and senior management.

Each of the executive Directors and independent non-executive Directors (except for Mr. Han Bo and Ms. Hong Ting who will be appointed from 6 June 2025 to 17 May 2026 (namely, the expiry date of term of office of the Fifth Board)) has entered into a service contract or an appointment letter with the Company for a term of three years.

The H Shares were listed on the Main Board of the Stock Exchange on 4 February 2026, from which date the Corporate Governance Code commenced. Each of the Directors has confirmed that he/she obtained the legal advice on 13 June 2025 with regards to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

2. Appointment of the Directors

Pursuant to code provision B.2.2 of the Corporate Governance Code, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The term of office of each Director shall be three years. Their re-election shall be subject to the provisions of the Articles of Association.

CORPORATE GOVERNANCE REPORT

3. Independent Non-executive Directors

The Company has complied with Rule 3.10 and Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise since the Listing Date and up to the Latest Practicable Date.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

4. Board Independence Evaluation

The combination of executive Directors and independent non-executive Directors in the Board is balanced, so that the Board of Directors maintains independence and can make effective independent judgments.

Meanwhile, to ensure the fairness and transparency of decision-making of the Board, when there is a Director who is connected to companies involved in a resolution of the Board meeting and has a material interest in a resolution or there are other abstention circumstances stipulated by laws, such Director shall take the initiative to abstain from voting on the resolution and shall not exercise the voting rights on behalf of other Directors. When calculating the quorum of Directors present at the meeting, such Director shall not be counted. The fairness and legality of resolution is so guaranteed. Implementation of such measures may help to maintain the authority and credibility of the Board and promote the healthy development of the Group.

5. Chairman and Chief Executive

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wang Aiguo is the chairman and general manager of the Company. The Board believes that having the same individual, who is also the founder of the Group, serve as both chairman and general manager provides strong and consistent leadership for the Group in formulating and executing its long-term business strategies. The Board will continue to review and monitor the Company's corporate governance practices and assess whether it is necessary to separate the roles of the Chairman and the General Manager, with a view to maintaining a high standard of corporate governance.

CORPORATE GOVERNANCE REPORT

6. Role of the Board and the Management

The Board is the core decision-making organization of the Company and assumes the responsibilities for the leadership and control of the Group, and supervising and approval of financial performance, strategic development objectives and major business decisions. Meanwhile, the Board has delegated to the management the responsibilities for the Group's daily operations and business management according to the Board's instructions. The Board has established four special committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee, and has delegated to the Board Committees various duties to improve governance efficiency. All the Board Committees perform their distinct roles in accordance with their respective terms of reference and jointly facilitate the steady development of the Group.

The Board reserves for its decision of all major matters relating to approval and supervision of corporate governance and policy matters, planning of overall strategies and budgets, establishment and improvement of internal control systems, approval of major transactions involving potential conflicts of interest, review and analysis of financial data, appointment of Directors and other material financial and operational decisions. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

7. Continuous Professional Development

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. The Group will organize seminars regularly to provide Directors with the latest development and changes of Listing Rules and other relevant laws and regulations in a timely manner.

During the Reporting Period, the training records of the Directors are summarized as follows.

Name	Position	Type of Training ^(Note)
Mr. Wang Aiguo	Executive Director	A, B and C
Mr. Li Zonghao	Executive Director	A, B and C
Ms. Li Huiying	Executive Director	A, B and C
Mr. Han Bo	Executive Director	A, B and C
Mr. Wang Yaping	Independent Non-executive Director	A, B and C
Mr. Sun Jianqiang	Independent Non-executive Director	A, B and C
Ms. Hong Ting	Independent Non-executive Director	A, B and C

Notes:

- A: Read relevant news alerts, newspapers, journals, magazines and other publications.
- B: Obtained learning resources through the Internet.
- C: Attended training sessions, including but not limited to briefings, seminars and conferences.

CORPORATE GOVERNANCE REPORT

8. Board Performance Review

As the Company completed the Listing on 4 February 2026, no Board performance review was conducted during the Reporting Period. The Nomination Committee expects to conduct the next Board performance review after the financial year ending 31 December 2026.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs.

1. Audit Committee

The Group has established the Audit Committee pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code. The primary duties of the Audit Committee are, namely, to (i) review our compliance, accounting policies and financial reporting procedures; (ii) supervise the implementation of our internal audit system; (iii) advise on the appointment or replacement of external auditors; (iv) liaise between our internal audit department and external auditors and (v) perform other responsibilities as authorized by the Board.

The Audit Committee consists of three members, namely Mr. Sun Jianqiang, Mr. Wang Yaping and Ms. Hong Ting, being all of the independent non-executive Directors. The chairman of the Audit Committee is Mr. Sun Jianqiang. Both Mr. Sun Jianqiang and Ms. Hong Ting hold the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Five meetings have been held by the Audit Committee during the Reporting Period to review the quarterly, interim and annual results and reports, as well as the matters relating to the effectiveness of financial reporting, operational and compliance controls, risk management and internal control systems, internal audit functions, and the engagement of external auditors.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2025 and has met with the independent Auditor, SHINEWING (HK) CPA Limited.

The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

2. Remuneration and Appraisal Committee

The Group has established the Remuneration and Appraisal Committee pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to (i) formulate remuneration plans or programs, policies and structures and establish formal and transparent procedures for the formulation of the aforesaid remuneration plans or programs based on the major scope, duties and responsibilities, importance of the management positions of the directors and senior management, as well as the remuneration levels of the relevant positions in other relevant enterprises; (ii) review and approve the management's remuneration proposals in accordance with the corporate policies and objectives set by the Board; (iii) make recommendations to the Board on the remuneration of Directors and senior management; (iv) review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with the relevant contractual terms; and (v) consider other matters as stipulated by the laws, administrative regulations, the securities regulatory rules of the place(s) where the Shares are listed, and the Articles of Association. The Remuneration and Appraisal Committee has adopted the second model described in paragraph E.1.2(c) of the Corporate Governance Code (i.e. make recommendation to the Board on the remuneration composition of individual executive Directors and senior management).

The Remuneration and Appraisal Committee consists of three members, namely Mr. Wang Yaping, Mr. Sun Jianqiang and Ms. Li Huiying. The chairperson of the Remuneration and Appraisal Committee is Mr. Wang Yaping.

Two meetings have been held by the Remuneration and Appraisal Committee during the Reporting Period to review the remuneration policy, the remuneration packages of directors and senior management, and other related matters.

3. Nomination Committee

The Group has established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code. The primary duties of the Nomination Committee are, namely, to (i) review the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of the Group; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorships; (iii) make recommendations to the Board on relevant matters relating to the appointment and re-appointment of our Directors; (iv) assess the independence of independent non-executive Directors; and (v) other duties authorized by the Board.

The Nomination Committee consists of three members, namely Mr. Wang Yaping, Mr. Li Zonghao and Ms. Hong Ting. The chairman of the Nomination Committee is Mr. Wang Yaping.

CORPORATE GOVERNANCE REPORT

Three meetings have been held by the Nomination Committee during the Reporting Period to deliberate and approve the matters relating to the verification of the qualifications of the Company's directors and senior management, the by-election of non-independent directors and independent directors of the fifth Board of Directors, and the appointment of senior management members of the Company.

4. Strategy Committee

The Group has established the Strategy Committee in order to meet the strategic development needs of the Group and enhance the Group's core competitiveness. The primary duties of the Strategy Committee are, namely, to (i) study and make suggestions on the Company's long-term development strategic plans (including sustainable development and environmental, social and governance (ESG) related issues); (ii) study and make suggestions on major investment and financing plans which are subject to the approval of the Board as provided in the Articles of Association; (iii) study and make suggestions on major capital operations and asset management projects which are subject to the approval of the Board as provided in the Articles of Association; (iv) study and make suggestions on other major issues that may affect the development of our Company; (v) inspect the implementation of the above matters; and (vi) other duties authorized by the Board.

The Strategy Committee consists of five members, namely Mr. Wang Aiguo, Mr. Li Zonghao, Mr. Han Bo, Mr. Wang Yaping and Mr. Sun Jianqiang. The chairman of the Strategy Committee is Mr. Wang Aiguo.

Two meetings have been held by the Strategy Committee during the Reporting Period to deliberate and approve the matters relating to the future development plan, the authorization of the management of the Company to commence preparatory work for the issuance of its shares overseas (H shares) and subsequent listing on the Stock Exchange and the proposals on the issuance and listing of H shares on the Stock Exchange.

GENERAL MEETINGS, BOARD MEETINGS AND BOARD COMMITTEES' MEETINGS

1. Board Meetings

Regular Board meetings should be held at least four times a year involving active participation of the Directors, either in person or through electronic means of communication. During the Reporting Period, the Board convened five meetings.

CORPORATE GOVERNANCE REPORT

2. Attendance records of Directors

The attendance record of general meetings, Board meetings and meetings of Board Committees held during the Reporting Period is set out in the table below.

Name of Director	Number of attendance/Number of meetings held					
	General meetings	Board	Audit and Appraisal Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee
Mr. Wang Aiguo	1/1	5/5	0/0	0/0	0/0	2/2
Mr. Li Zonghao	1/1	5/5	0/0	0/0	3/3	2/2
Ms. Li Huiying	1/1	5/5	3/3	2/2	0/0	2/2
Mr. Han Bo	1/1	3/3	0/0	0/0	0/0	0/0
Mr. Wang Yaping	1/1	5/5	2/2	2/2	3/3	0/0
Mr. Sun Jianqiang	1/1	5/5	5/5	2/2	0/0	2/2
Ms. Hong Ting	1/1	3/3	2/2	0/0	0/0	0/0

The Corporate Governance Code requires that the chairman should at least annually hold one meeting with the independent non-executive directors without the presence of other directors. The Chairman held one separate meeting with the independent non-executive Directors during the Reporting Period.

DIVERSITY

1. Board Diversity

The Board is committed to promoting the culture of diversity in the Company. The Board strives to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure. The Board has adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Board seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, cultural background, educational background, industry experience and professional experience. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, legal, engineering and accounting. The independent non-executive Directors have solid experiences in the fields of accounting, auditing and legal, representing more than one-third of the members of the Board. The Board Diversity Policy is well implemented as evidenced by the fact that there are Directors ranging from 40 years old to 62 years old and comprises two female Directors and five male Directors.

CORPORATE GOVERNANCE REPORT

The Nomination Committee is responsible for ensuring the diversity of the Board members. The Nomination Committee will review the Board Diversity Policy from time to time, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives to ensure its continued effectiveness.

The Board currently comprises two female Directors and five male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels. The Board Diversity Policy provides that the Board should aim to increase the proportion of female members over time after Listing where possible when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior levels so that we will have a pipeline of female senior management and potential successors to the Board going forward. Furthermore, the Board will implement comprehensive programs aimed at identifying and training the female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board. It is our objective to maintain an appropriate balance of gender diversity with reference to the expectation of stakeholders and international and local recommended best practices. Taking into account our existing business model and specific needs as well as the different background of the Directors, the Directors consider that the composition of the Board satisfies the Board Diversity Policy.

2. Employee Diversity

The Group encourages gender diversity across its workplace. We maintain a ratio of male to female employees of approximately 2:1 in the workforce and senior management (including Directors) of 7:3 as at the end of the Reporting Period. The Group will continue to maintain the gender diversity in workforce, will also ensure the gender diversity when recruiting management personnel at mid to senior level of the Group so that it will have a pipeline of female employees and potential successors to the senior management in the future.

CORPORATE GOVERNANCE FUNCTIONS

Pursuant to code provision A.2.1 of the Corporate Governance Code, the Board is responsible for performing corporate governance duties, including:

- develop and review the Company's policies and practices on corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board has performed the above duties.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Ms. Yu Yu and Ms. Chan Yuk Wing currently serve as the joint company secretaries of the Company. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and is responsible for provision of corporate secretarial and compliance services. Ms. Yu Yu is the primary contact person of Ms. Chan Yuk Wing in the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Each of Ms. Yu Yu and Ms. Chan Yuk Wing has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules for the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of his/her office or employment, are likely to possess inside information. Specific enquiries have been made by the Company to all the Directors and all of the Directors have confirmed that they have complied with the Model Code during the period from the Listing Date to the Latest Practicable Date. No incident of non-compliance of the Model Code by the employees was identified by the Company during the period from the Listing Date to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established a risk management and internal control system in accordance with the requirements of paragraph D.2 under Section II of the Corporate Governance Code. The Board is responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control system of the Company, and continuously monitoring and reviewing the effectiveness of its operation once a year. The system aims to manage rather than eliminate the risk of failure to achieve business objectives, promote effective and efficient operations, reasonably ensure the reliability of financial reports and comply with applicable laws and regulations and protect the assets of the Group. The Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

The Company identifies the scope of major business risks through periodic reviews and implements appropriate measures to mitigate risks and improve operational activities. The management of the Company implements, monitors, and reviews all significant control policies and procedures, and reports all material matters to the Board of Directors and the Audit Committee in a timely manner to ensure prompt and proper actions are taken.

The Group has established an internal audit function. The Audit and Inspection Department performs the internal audit function and is responsible for reviewing the financial condition, business activities and internal controls of the Company, and conducting regular and comprehensive audits of the branches and subsidiaries of the Company. The Audit and Inspection Department also reports directly to the Audit Committee on the effectiveness of risk management and internal controls.

CORPORATE GOVERNANCE REPORT

To monitor the ongoing implementation of our internal controls, we have adopted the following measures:

- Establishing the Audit Committee to review and supervise our financial reporting and internal control systems;
- Appointing Ms. Yu Yu and Ms. Chan Yuk Wing as our joint company secretaries to ensure our operations comply with relevant laws and regulations;
- Appointing Somerley Capital Limited as our compliance adviser after the Listing to provide us with advice on compliance with the Listing Rules; and
- Engaging external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws as necessary.

For the year ended 31 December 2025, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems, and considers that the risk management and internal control systems were adequate and effective.

Whistleblowing and Anti-corruption Policy

The Company regards anti-commercial bribery and anti-corruption as the bottom-line requirements for corporate governance and compliant operation. The Company strictly complies with applicable national and local laws and regulations on anti-corruption and anti-commercial bribery, continuously improves the institutional system and supervision mechanism for professional integrity, ensuring that all business activities are open and transparent, legal and compliant, traceable and accountable. To standardize the management of employee reports and complaints, strengthen internal supervision and enhance operational transparency, the Company has formulated and implemented the Employee Report and Complaint Management System. Four reporting channels are provided for whistleblowers, including postal mail, reporting hotlines, emails, and on-site reporting at designated reception areas, enabling internal and external stakeholders to raise concerns conveniently.

The Company has incorporated anti-corruption and integrity requirements into the key duties of the governance layer and conducted targeted training. During the Reporting Period, various anti-corruption training sessions were actively organized and integrated into the scenarios of performing duties by the Board of Directors. These initiatives strengthen the governance layer's awareness of integrity risks and sense of responsibility, and drive the development of a "top-down" compliance culture.

Procedures for Handling and Dissemination of Inside Information

The Company regulates the handling and dissemination of inside information subject to internal procedures and policies in order to assure insider information will be kept confidential prior to appropriate approval of disclosure and dissemination and relevant information will be disseminated in an effective and unified manner.

CORPORATE GOVERNANCE REPORT

The Board is responsible for approval policies on disclosure of insider information. Relevant policies are aimed at providing guiding principles, routines and procedures to assist employees and senior employees of the Company (i) to report inside information to the Board to make timely decisions on disclosure (if necessary); and (ii) to comply with the Securities and Futures Ordinance and the Listing Rules and to maintain communication with stakeholders of the Group.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for FY2025. They are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 76 to 80 of this Report.

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

AUDITORS' REMUNERATION

Remuneration paid and payable to the external auditors of the Company in respect of audit services for the Reporting Period is set out below.

Services provided by the auditor	Amount
	RMB'000
Audit services (A share) <i>(Note a)</i>	2,150
Audit services (H share) <i>(Note b)</i>	1,600
Non-audit services	0

Notes:

- (a) This fee is for the firm that issues the A-share audit report and internal control report.
- (b) This fee is for the firm that issues the H-share audit report.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

In order to safeguard the interests and rights of Shareholders, the Company proposes separate resolutions on significant events (including the election of individual director) at general meetings. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules, and the poll results will be published on the websites of the Company and the Stock Exchange upon the conclusion of each general meeting.

Convening of general meetings

Pursuant to the Articles of Association, the general meetings are generally convened by the Board.

Subject to the consent of more than half of all independent non-executive directors, the independent non-executive Directors shall be entitled to propose to the Board to convene an extraordinary general meeting. Regarding the proposal requesting to convene an extraordinary general meeting by the independent non-executive Directors, the Board shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the proposal.

The Audit Committee shall propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the proposal.

Shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall request the Board to convene an extraordinary general meeting, and add resolutions to the agenda of the general meeting, and shall put forward such request to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the request.

Proposals of general meetings

When the Company convenes a general meeting, the board of directors, the audit committee and shareholders who individually or jointly hold more than 1% of the Company's shares shall be entitled to put forward proposals to the Company.

Shareholders who individually or jointly hold more than 1% of the Company's shares may submit provisional proposals in writing to the convener 10 days prior to the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals to announce the contents of the provisional proposal and submit the provisional proposals to the general meeting for consideration, however, except for the provisional proposals that violates the requirements of laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or these articles of association, or are not within the terms of reference of the general meeting. Except as provided in the preceding paragraph, the convener shall not change the proposals set out in the notice of the general meeting or add any new proposal after the said notice is served.

CORPORATE GOVERNANCE REPORT

Enquiries to the Board

The Company maintains a website at www.qdgon.com, where information on the Company's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may write letters to the Company to send written enquiries or requests:

Address: No. 2 Road, Qingda Industrial Park
Jihongtan Street, Chengyang District, Qingdao City, Shandong Province, PRC

Email: SI@qdgon.com

ARTICLES OF ASSOCIATION

The Company has not amended the Articles of Association since the Listing Date and up to the Latest Practicable Date. The latest version of the Articles of Association is available on the Company's website (www.qdgon.com) and the website of the Stock Exchange (www.hkexnews.hk).

DIVIDEND POLICY

The Group has adopted a dividend policy ("**Dividend Policy**"). According to the Dividend Policy which is in line with the Articles of Association and in accordance with the Regulatory Guidelines for Listed Companies No. 3 – Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》) and the Shenzhen Stock Exchange Stock Listing Rules (《深圳證券交易所股票上市規則》), the annual cash dividend shall be no less than 10% of the distributable profits of the relevant year, further, the Group is required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of our average net profits for those three fiscal years which are available for distribution. Under the Dividend Policy, cash dividend may be declared when the following conditions are met: (i) the Group's net profit for the most recent fiscal year is positive; (ii) the undistributed profits at the end of the year in both the consolidated financial statements of the Group and the Company's financial statements are positive; and (iii) the Group's meet the capital requirements for normal production and operation, and no significant investment plans or major cash expenditure plans (excluding fundraising investment projects) are in place.

In considering the payment of dividends, the Board shall take into account the following factors, among others: (a) the Group's overall results of operation, financial position, liquidity position, capital requirements, cash flow and future prospects; (b) the amount of distributable reserves of the Company; (c) the general business and regulatory conditions, the business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group; (d) the statutory and regulatory restrictions; (e) the contractual restrictions on the payment of dividends by the Company to the shareholders or by the subsidiaries of the Company to the Company; (f) the shareholders' interests; and (g) other factors that the Board deems relevant.

Profits may be distributed in the form of cash, shares, a combination of cash and shares or in any other forms permitted by laws and regulations. The Group prefers the distribution of dividend in form of cash, and subject to satisfaction of cash distribution conditions, profits distribution will be made in the form of cash dividend.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

During the Reporting Period, the Company did not make any substantial changes to the constitutional document. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

The Company believes that effective communication with shareholder is essential to enhance investor relations and to keep investors informed of the Group's business performance and strategies. The Company has established various and a wide range of communication channels with Shareholders, including general meeting, annual and interim reports, announcements, results briefings, participation in the collective reception day for investors, investor hotline, and interactive Q&A on the Easy Interaction, etc. Apart from that, the Company invites investors to visit the production facilities of the Group, and conduct face-to-face communication with the management. Shareholders may make enquiries with the Company through channels mentioned above, and provide comments and recommendations to the Directors or managements at any time. Upon receipt of enquiries from Shareholders, the Company will make actual responses to the Shareholders as soon as possible.

In addition, the Company updates its website from time to time to keep the Shareholders updated of the recent development of the Company. The Company endeavors to maintain an ongoing dialogue with shareholders. At the annual general meeting, the Directors and the management will be available to meet with the Shareholders and answer their enquiries. Having considered the multiple channels of communication in place as described above, the Company considers the implementation of the Shareholders' communication policy during the Reporting Period was effective.

DIRECTORS AND SENIOR MANAGEMENT

As of the date of this report, the information of the directors and senior management of the Company is as follows:

DIRECTORS

Executive Directors

Mr. Wang Aiguo (王愛國), aged 57, founded our Group in 2000. From December 2000 to July 2011, Mr. Wang served as our executive Director, general manager and director of the technology centre. Since July 2011, Mr. Wang has served as chairman of the Board, general manager and director of the technology centre. Mr. Wang also serves as the director of certain subsidiaries, certain subsidiaries, such as the chairman of the board of Dongbao Bio-Tech, Yiqing Bio-Tech and Gon Polymer.1, and the executive director of Gon Composites, Gocci Opto-electronics, Guangdong Gon Plastics, Jiangsu Guoheng, Rizhao Gon Chemical and other subsidiaries. Mr. Wang is responsible for the overall business development, strategic planning and operational management of our Group.

Mr. Wang obtained a Master of Business Administration degree from Tsinghua University in the PRC in June 2012. Mr. Wang subsequently obtained a Doctor of Business Administration from the University of Minnesota in the United States in May 2024.

Mr. Wang served as the vice chairman (副理事長) of the China Management Science Conference (中國管理科學大會) from August 2009 to July 2012, and an expert member (評審專家) of the Review Committee for Scientific and Technological Innovation Achievements (科技創新成果論文評審委員會) at the 17th and 18th China Scientists Forum (中國科學家論壇) in September 2020 and May 2021, respectively. Mr. Wang was awarded the “Special Contribution Award for Achievements in China’s Management Science” (中國管理科學成就特別貢獻獎) and “2009 Top Ten Entrepreneurs with Outstanding Contributions to China’s Small and Medium Enterprises” (2009 中國中小企業十大傑出貢獻企業家) in August 2009, “Charismatic Leader in China’s Plastics Industry for the 60th Anniversary of the Founding of the People’s Republic of China” (建國60周年中國塑料製品行業魅力領軍人物) in November 2009, the “Contribution Award for the Development of China’s Private Science and Technology” (中國民營科技發展貢獻獎) in December 2009, “China’s Outstanding Private Entrepreneur” (中國優秀民營企業家) in January 2010, “Qingdao Entrepreneurship Star” (青島市創業明星) in May 2012, “Industry Leading Entrepreneur” (行業領軍企業家) in December 2019, “2020 Science and Technology Innovation Advanced Individual” (2020 科技創新先進個人) in September 2020, “Qingdao Top Talent” (青島拔尖人才) in August 2021, “Qingdao City Outstanding Entrepreneurs” (青島市優秀企業家) in February 2023 and “Shandong Province Model Worker” (山東省勞動模範) in April 2023 and other honours. Mr. Wang also served as a representative to the Qingdao Municipal People’s Congress, he was appointed as a member of the Qingdao Talent Strategy Advisory Committee (青島市人才戰略諮詢委員會委員) in January 2021 and economic consultant to the Qingdao Municipal People’s Government in November 2021.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Zonghao (李宗好), aged 56, was appointed as a Director of our Board in July 2011. He currently holds multiple positions in our Group, including executive director and general manager of both Gon Plastics (Zhejiang) and Gon Plastics (Qingdao).

Mr. Li has gained extensive managerial and industry experience of more than 20 years since he joined our Group in November 2004. From November 2004 to April 2010, Mr. Li served as the manager of the quality department of our Company. From April 2010 to December 2021, he was appointed the head of the Changxing branch of our Company. Since July 2011, Mr. Li was appointed as a Director of our Company. From July 2015 to January 2021, Mr. Li was appointed as the head of the Company's Ningbo branch. Since May 2021, he was appointed as an executive director and general manager of Gon Plastics (Zhejiang). Since October 2021, he has also assumed the roles of executive director and general manager of Gon Plastics (Qingdao).

Mr. Li obtained a bachelor's degree in engineering from Tianjin University of Science and Technology (formerly known as the Tianjin Light Industry Institute* (天津輕工業學院)) in July 1992.

Mr. Li was recognized as a member of the Excellent Quality Management Group of the Shandong Province of the Year of 1998 (一九九八年度全省優秀質量管理小組). Mr. Li is a certified senior engineer specialized in chemical engineering (化工工程) as certified by Qingdao Senior Evaluation Committee for Engineering Technical Professional Qualifications (青島市工程技術職務資格高級評審委員會) in November 2023.

Ms. Li Huiying (李慧穎), aged 47, was appointed as a Director of our Board in July 2017.

She began her career in our Group when she joined us in March 2001 as an accountant until March 2007. From March 2007 to July 2011, she held the positions of deputy manager and subsequently manager of the procurement management center of our Company, overseeing our overall procurement function. Between August 2011 and July 2017, she concurrently served as chairperson of the Company's supervisory committee and the manager of the procurement management center. Since July 2017, Ms. Li has been serving as a Director of our Company.

Ms. Li completed her tertiary education in financial accounting from Qingdao University of Technology (previously known as Qingdao Institute of Architectural Engineering* (青島建築工程學院)) in the PRC in July 1999. Ms. Li was awarded the honorary title of March 8th Red Flag Bearer (三八紅旗手榮譽) for two consecutive years in March 2012 and March 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Han Bo (韓博), aged 44, was appointed as an executive Director in June 2025. He currently holds multiple positions in our Group, including the deputy general manager of our Company, the executive director and general manager of Shandong Guoen Chemical Co., Ltd. (山東國恩化學有限公司), the manager of Guangdong Gon Plastics.

Mr. Han joined our Group in August 2010. From August 2010 to August 2013, Mr. Han served as a assistant to the general manager of our Company. Since August 2013, Mr. Han has served as the deputy general manager of our Company. Prior to joining our Group, Mr. Han served as a workshop director, quality supervisor and regional account manager of Qingdao Haier New Material Co., Ltd.* (青島海爾新材料研發有限公司) from August 2005 to May 2008, and the department head of Product Development Division I (產品開發一課) of Foxconn Precision Electronics (Yantai) Co., Ltd. from May 2008 to August 2010.

Mr. Han obtained a bachelor's degree in composite materials and engineering (複合材料與工程) from Jinan University in the PRC in July 2005 and a master's degree in industrial engineering from the Ocean University of China in December 2016. He was certified as a certified senior engineer in chemical engineering by the Qingdao Engineering and Technology Qualification Senior Review Board in December 2022.

Independent non-executive Directors

Mr. Wang Yaping (王亞平), aged 62, has been appointed as the independent non-executive Director of the Company since July 2020.

Mr. Wang has extensive experience in the legal industry and corporate governance. Mr. Wang has been serving as a senior partner and chairman of the partners' meeting (合夥人會議主席) of Shandong Guoyao Qindao (Qingdao) Law Firm (山東國曜琴島(青島)律師事務所) since 2001 and 2021, respectively. In October 2021, Mr. Wang was appointed as the director of 10th Council of the All China Lawyers Association (中華全國律師協會) and he is currently serving as a deputy director of its Anti-Monopoly and Anti-Unfair Competition Committee (中華全國律師協會反壟斷反不正當競爭委員會). He was also appointed as the honorary president of the 10th Council of Qingdao Lawyers Association (青島市律師協會) and was accredited as a certified arbitrator of the Qingdao Arbitration Commission (青島仲裁委員會) in March 2025 and December 2020, respectively. In addition to his legal practice, Mr. Wang has held multiple supervisory positions and directorships in several listed companies. From June 2014 to May 2025, Mr. Wang served as a supervisor of Tsingdao Brewery Co., Ltd. (青島啤酒股份有限公司) (stock codes: 600600.SH, 0168.HK). From November 2016 to August 2022, Mr. Wang served as an independent director of Qingdao Baheal Medical Co., Ltd.* (青島百洋醫藥股份有限公司) (stock code: 301015.SZ). From October 2018 to June 2024, Mr. Wang served as an independent non-executive director of Prosper Construction Holdings Limited (stock code: 6816.HK). Mr. Wang was appointed as the independent supervisor of Qingdao Port International Co., Ltd. (青島港國際股份有限公司) (stock codes: 601298.SH, 6198.HK) from May 2019 to October 2025. Mr. Wang was appointed as an independent non-executive director of Qingdao Holdings International Co., Ltd. (青島控股國際有限公司) (stock code: 0499.HK) since December 2024, and independent director of Qingdao Sportsoul Health & Technology Co., Ltd.* (青島三柏碩健康科技股份有限公司) (stock code: 001300.SZ) since December 2023.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang obtained a bachelor's degree in laws from East China University of Political Science and Law (previously known as the East China Institute of Politics and Law) in July 1986. He became a practising lawyer in the PRC in June 1989 and obtained the qualification of first-class lawyer (國家一級律師) in May 2020, and in March 2015, he obtained the qualification for Independent Non-Executive Directors of the Shanghai Stock Exchange (上海證券交易所獨立非執行董事資格).

Mr. Sun Jianqiang (孫建強), aged 62, has been appointed as the independent non-executive Director of the Company in May 2023.

Since July 1990, Mr. Sun has worked at the Ocean University of China (中國海洋大學), taking up the positions of professor at the School of Management in September 2004, and director (部長) of the graduate education management department in March 2024. In addition to his academic roles, Mr. Sun served as an independent director of Liqun Commercial Group Co., Ltd. (利群商業集團股份有限公司) (stock code: 603166.SH) from May 2019 to May 2025. Mr. Sun joined the board as the independent director of Qingdao Compton Technology Co., Ltd. (青島康普頓科技股份有限公司) (stock code: 603798.SH) since May 2023. Mr. Sun has served as an independent director of Haier New Energy Technology Co., Ltd. since December 2025.

Mr. Sun obtained a bachelor's degree in applied mathematics and a master's degree in science from the Ocean University of China in the PRC in July 1985 and July 1990, respectively. He obtained a doctorate degree in business administration from Xi'an Jiaotong University in the PRC in December 2006. Mr. Sun obtained a doctorate degree in accounting from the Ocean University of China in the PRC in June 2018. He obtained the qualification for Independent Non-Executive Directors of the Shanghai Stock Exchange (上海證券交易所獨立非執行董事資格) in August 2011.

Ms. Hong Ting (項婷), aged 40, has been appointed as our independent non-executive Director in June 2025.

From September 2008 to September 2018, Ms. Hong served multiple positions at Deloitte Touche Tohmatsu, with her last position being audit manager. Since October 2018, Ms. Hong Ting has been the managing director of Rongcheng (Hong Kong) CPA Limited. Ms. Hong is currently serving as an independent non-executive director of several listed companies in Hong Kong, namely, Yun Lee Marine Group Holdings Ltd. (stock code: 2682.HK) since January 2023, World Houseware (Holdings) Ltd. (stock code: 0713.HK) since July 2023, Yinsheng Digifavor Co., Ltd (stock code: 3773.HK) since May 2025, Ernest Borel Holdings Limited (stock code: 1856.HK) since May 2025, and ALSCO Pooling Service Co., Ltd. (stock code: 2649.HK) since March 2026. Ms. Hong also served as a non-executive director of ALCO Holdings Limited (stock code: 0328.HK) from June 2022 to January 2023, an independent non-executive director of C&D Newin Paper & Pulp Corporation Limited (stock code: 0644.HK) from October 2024 to February 2025, an independent non-executive director of Wai Chun Bio-Technology Limited (stock code: 0660.HK) from October 2022 to April 2024 and an independent non-executive director of Jingrui Holdings Limited (stock code: 1862.HK) from December 2024 to December 2025.

She obtained a Bachelor of Business degree from The Chinese University of Hong Kong in 2008. She is a Certified Public Accountant (Practising) in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Yu Chuibai (于垂柏), aged 52, has been appointed as our chief financial officer since April 2019. Mr. Yu currently also serves as the deputy general manager of the Company.

Mr. Yu has extensive experience in accounting, auditing, and corporate governance. Mr. Yu held various positions in our Group since he joined us in January 2011. From January 2011 to January 2017, Mr. Yu served as the audit director of our Company. Since February 2017, he has served as the deputy general manager of our Company. From March 2017 to September 2017, Mr. Yu served as the general manager of Gon Composites. From March 2017 to April 2019, he served the chairman of the supervisory committee of Yiqing Bio-tech. Since April 2019, he has served as the chief financial officer (財務負責人) of our Company.

Mr. Yu obtained a bachelor's degree in economics from the University of Shanghai for Science and Technology in July 1997. Mr. Yu subsequently obtained a master's degree in accounting from Xi'an Jiaotong University in December 2009.

Mr. Wang Long (王龍), aged 45, has been appointed as deputy general manager of our Company since June 2025. Mr. Wang is currently also the deputy director of the technology centre of the Company, a director and manager of Guoen Future (Shenzhen) Technology Co., Ltd. (國恩未來(深圳)科技有限公司), and a supervisor of Guoen Future (Shanghai) Chemical Co., Ltd. (國恩未來(上海)化工有限公司) and Zhejiang Guoen Chemical Co., Ltd. (浙江國恩化學有限公司).

Mr. Wang has around 16 years of experience in scientific and technological innovation. Mr. Wang joined our Group in July 2009, and had held different positions in our Group since then. From July 2009 to October 2010, Mr. Wang served as the manager (主管) of the Company's technology centre. Since October 2011, he has served as the deputy director of our Company's technology centre. From August 2011 to July 2017, Mr. Wang served as the Company's supervisor. From August 2011 to June 2025, Mr. Wang served as the Company's assistant to the general manager. From May 2023 to June 2025, Mr. Wang served as the chairman of the supervisory committee of the Company; and since June 2025, he has served as the Company's deputy general manager.

Mr. Wang obtained a bachelor's degree in polymer materials and engineering from the Qilu University of Technology (previously known as the Shandong Institute of Light Industry) in July 2005. Mr. Wang subsequently obtained a master's degree in material sciences from the Qingdao University of Science and Technology in the PRC in June 2009. He also obtained the qualification of a senior engineer in January 2020.

Mr. Wang has received several awards and recognitions in the field of scientific innovation. He was awarded the second prize (二等獎) of Shandong Province Small and Medium-sized Enterprises Science and Technology Progress Award (山東省中小企業科學技術進步獎) in October 2011, the Award of Qingdao City Science and Technology (青島市科學技術獎) in April 2016, the gold medal of Chengyang District "Mayor's Cup" Innovation Grand Prize (城陽區“區長杯”) in 2013, the honorary title of "The First Batch of Frontline Professional Technical Key Talents of Chengyang District" ("城陽區首批基層一線專業技術骨幹人才") in December 2013 and "Top Talents of Chengyang District" (城陽區“拔尖人才”) in March 2020.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yu Yu (于雨), aged 36, was appointed as deputy general manager, board secretary and the joint company secretary of the Company on July 2020, July 2020 and May 2025, respectively.

She joined our Group as the Company's securities affairs representative from June 2018 to July 2020, and concurrently held the position of employee representative supervisor from May 2019 to July 2020. Since July 2020, Ms. Yu has been serving as the deputy general manager and board secretary of the Company. She currently also holds the positions of chairperson of the board of directors of Huaian Xinsheng New Material Technology Co., Ltd* (淮安信盛新材料科技有限公司), director of Gon Chemical (Dongming), and supervisor of Shandong Guoen Health Science and Technology Co., Ltd.* (山東國恩健康科技有限公司), Qingdao Guoen Culture and Sports Industry Co., Ltd.* (青島國恩文體產業有限公司), Qingdao Guoen Sports Turf Co., Ltd.* (青島國恩體育草坪有限公司), Guoen Future (Liaoning) Health Science and Technology Development Co., Ltd.* (國恩未來(遼寧)健康科技發展有限公司) and Guoen Qingchuang (Shanghai) New Material Co., Ltd.* (國恩青創(上海)新材料有限公司).

Ms. Yu obtained a bachelor's degree in business administration from the China Three Gorges University in the PRC in June 2013. She obtained the qualification of board secretary (董事會秘書資格) in November 2016.

JOINT COMPANY SECRETARIES

Ms. Yu Yu (于雨), aged 36, was appointed as the joint company secretary of the Company in May 2025. For her biography, see "– Senior Management" in this section.

Ms. Chan Yuk Wing (陳玉穎), aged 37, was appointed as our joint company secretary in May 2025.

Ms. Chan possesses extensive experiences in the provision of corporate services and compliance services to a number of companies listed on the Stock Exchange. Ms. Chan obtained a master degree holder of Corporate Governance awarded by Hong Kong Metropolitan University in 2021. Ms. Chan possesses the qualifications of a company secretary as required under Rule 3.28 of the Listing Rules. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Saved as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as of the date of this report, none of the Directors and senior management of the Company had been a director of any public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this report. There are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Saved as disclosed above, as of the date of this report, none of the Directors or senior management of the Company were related to other Directors or senior management of the Company.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed herein, there has been no change in information required to be disclosed by the Directors and chief executive of the Company pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QINGDAO GON TECHNOLOGY CO., LTD.

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

OPINION

We have audited the consolidated financial statements of Qingdao Gon Technology Co., Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 81 to 184, which comprises the consolidated statement of financial position as at 31 December 2025, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

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

Revenue recognition

Refer to Note 6 to the consolidated financial statements and the accounting policies in Note 4.

The Key Audit Matter	How the matter was addressed in our audit
<p>We have identified the revenue recognition as a key audit matter because the amount of revenue is significant to the consolidated financial statements.</p>	<p>Our procedures in relation to revenue recognition comprising both control testing and substantive procedures on a sample basis:</p>
<p>Revenues from sales of goods are, in general, recognised as performance obligations are satisfied.</p>	<ul style="list-style-type: none">• Understanding and evaluating the effectiveness of the design and operating effectiveness of internal controls related to revenue recognition;• Obtaining contracts signed between the Group and its customers, and inspecting key terms such as delivery, acceptance, collection, and settlement policies to assess whether management's determination of the timing of revenue recognition complies with accounting standards;• Performing analytical procedures, conducting analytical review and comparisons of operating revenue and gross profit margin by customer and product to assess the reasonableness of fluctuations in operating revenue and gross profit margin for the current year;• Selecting samples to inspect supporting documents related to revenue recognition, including sales contracts, shipping documents, sales invoices, customer receipt records, and collection documents;• Verifying transaction amounts with major customers through audit confirmations to verify the authenticity and accuracy of revenue; and• Performing revenue cut-off testing procedures to evaluate whether operating revenue is recorded in the appropriate accounting period.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of goodwill

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 4.

The Key Audit Matter

As at 31 December 2025, the carrying amount of the Group's goodwill was approximately RMB331,975,000.

We have identified the impairment of goodwill as a key audit matter because the carrying amount of goodwill is significant to the consolidated financial statements and the impairment of goodwill involved significant judgments, estimates and uncertainty which may be subject to the management bias and uncontrollable.

How the matter was addressed in our audit

Our audit procedures were designed to obtain, understand and evaluate management's impairment assessment on goodwill.

- Understand the Group structure, identification of cash-generating units (CGUs) to which goodwill has been allocated, and the rationale for such allocation;
- Testing the mathematical accuracy of the value in use calculation of the cash-generating unit with goodwill which is based on the cash flow forecast and assessed the appropriateness of the methodology used by the management. Compare prior year forecasts with current year actual results to assess the reliability of management's forecasting process;
- Testing the key assumptions used in the cash flow forecast, including revenue growth rate and terminal growth rate, based on other available market data and taking into account the historical performance of the Group and corroborating with the development plan based on our discussion with the management;
- Testing the discount rate by benchmarking them to the rates used by similar companies in the market; and
- Assessing the appropriateness and adequacy of the disclosures in the Group's consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion, The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Shun Ming.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lee Shun Ming

Practising Certificate Number: P07068

Hong Kong

30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	6	21,251,231	19,187,511
Cost of sales		(19,040,841)	(17,595,339)
Gross profit		2,210,390	1,592,172
Other income, gains and losses, net	8	101,425	337,522
Selling and distribution expenses		(144,185)	(135,046)
Administrative expenses		(319,584)	(252,315)
Research and development expenses		(685,480)	(591,284)
Finance costs	9	(181,444)	(144,568)
Share of result of a joint venture		(17,997)	(5,414)
Share of results of associates		(2,093)	(3,992)
Profit before tax	11	961,032	797,075
Income tax expense	10	(124,230)	(76,489)
Profit for the year		836,802	720,586
Attributable to:			
– Owners of the Company		851,994	685,232
– Non-controlling interests		(15,192)	35,354
		836,802	720,586
Other comprehensive expense			
<i>Item that will be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(15,099)	(615)
Other comprehensive expense for the year		(15,099)	(615)
Total comprehensive income for the year		821,703	719,971
Attributable to:			
– Owners of the Company		836,891	684,617
– Non-controlling interests		(15,188)	35,354
		821,703	719,971
Earnings per share for profit attributable to owners of the Company (RMB per share)	14		
– Basic		3.22	2.56
– Diluted		3.22	2.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	15	5,962,315	5,620,502
Right-of-use assets	16	616,670	705,878
Investment properties	17	2,226	2,577
Goodwill	18	331,975	333,630
Intangible assets	19	262,442	309,129
Interests in a joint venture	20	176,589	194,586
Interests in associates	21	16,256	17,908
Equity instruments designated at fair value through other comprehensive income ("FVTOCI")	23	35,196	35,196
Deferred tax assets	24	23,120	17,961
Prepayments	28	102,550	100,477
Total non-current assets		7,529,339	7,337,844
Current assets			
Inventories	25	3,875,222	3,377,655
Trade and bills receivables	26	3,567,541	3,454,614
Bills receivables at FVTOCI	27	516,713	356,224
Other receivables, deposits and prepayments	28	839,554	797,673
Financial assets at fair value through profit or loss ("FVTPL")	29	–	2,471
Pledged bank deposits	30	1,089,662	1,010,203
Bank balances and cash	30	2,202,805	2,014,764
		12,091,497	11,013,604
Assets classified as held for sale	22	167,016	–
Total current assets		12,258,513	11,013,604
Current liabilities			
Trade and other payables	31	5,027,001	4,755,502
Contract liabilities	32	147,227	81,650
Tax liabilities		46,570	39,711
Bank and other borrowings	33	2,805,468	2,217,366
Convertible bonds	34	354,287	340,635
Lease liabilities	35	20,135	20,711
Total current liabilities		8,400,688	7,455,575
Net current assets		3,857,825	3,558,029
Total assets less current liabilities		11,387,164	10,895,873

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Bank and other borrowings	33	3,448,159	3,627,482
Deferred tax liabilities	24	156,541	149,236
Lease liabilities	35	11,868	24,939
Deferred income	36	70,258	61,887
Total non-current liabilities		3,686,826	3,863,544
Net assets			
Equity			
Capital and reserves			
Share capital	37	271,250	271,250
Treasury share	38	(130,291)	(130,291)
Reserves	39	5,581,259	4,823,164
Equity attributable to owners of the Company		5,722,218	4,964,123
Non-controlling interests		1,978,120	2,068,206
Total equity		7,700,338	7,032,329

The consolidated financial statements on pages 81 to 184 were approved and authorised for issue by the Board of Directors on 30 March 2026 and are signed on its behalf by:

Wang Ai Guo
Director

Li Zong Hao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Treasury share	Share premium	Statutory reserve	Safety fund surplus reserve	Translation reserve	Capital reserve	Retained profits	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2024	271,250	-	926,188	135,625	6,850	(30)	(160,444)	3,292,602	4,472,041	1,907,926	6,379,967	
Profit for the year	-	-	-	-	-	-	-	685,232	685,232	35,354	720,586	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(615)	-	-	(615)	-	(615)	
Other comprehensive expense for the year	-	-	-	-	-	(615)	-	-	(615)	-	(615)	
Total comprehensive (expense) income for the year	-	-	-	-	-	(615)	-	685,232	684,617	35,354	719,971	
Acquisitions of additional interests from non-controlling shareholders of subsidiaries (note 44)	-	-	-	-	-	-	(11,094)	-	(11,094)	(55,406)	(66,500)	
Acquisition of subsidiaries (note 43)	-	-	-	-	-	-	-	-	-	186,722	186,722	
Shares repurchased	-	(130,291)	-	-	-	-	-	-	(130,291)	-	(130,291)	
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	1,100	1,100	
Appropriation to safety fund surplus reserve	-	-	-	-	13,237	-	-	(17,741)	(4,504)	4,504	-	
Utilisation of safety fund surplus reserve	-	-	-	-	(4,172)	-	-	5,872	1,700	(1,700)	-	
Dividend recognised as distribution	-	-	-	-	-	-	-	(48,346)	(48,346)	-	(48,346)	
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(10,294)	(10,294)	
At 31 December 2024	271,250	(130,291)	926,188	135,625	15,915	(645)	(171,538)	3,917,619	4,964,123	2,068,206	7,032,329	

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Treasury share	Share premium	Statutory reserve	Safety fund surplus reserve	Translation reserve	Capital reserve	Retained profits	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2025	271,250	(130,291)	926,188	135,625	15,915	(645)	(171,538)	3,917,619	4,964,123	2,068,206	7,032,329	
Profit (loss) for the year	-	-	-	-	-	-	-	851,994	851,994	(15,192)	836,802	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(15,103)	-	-	(15,103)	4	(15,099)	
Other comprehensive (expense)/income for the year	-	-	-	-	-	(15,103)	-	-	(15,103)	4	(15,099)	
Total comprehensive (expense) income for the year	-	-	-	-	-	(15,103)	-	851,994	836,891	(15,188)	821,703	
Acquisitions of additional interests from non-controlling shareholders of subsidiaries (note 44)	-	-	-	-	-	-	(1,460)	-	(1,460)	(10,640)	(12,100)	
Acquisition of a subsidiary (note 43)	-	-	-	-	-	-	-	-	-	30	30	
Conversion of convertible bonds issued by a subsidiary	-	-	-	-	-	-	-	-	-	6	6	
Shares repurchased by a subsidiary	-	-	-	-	-	-	-	-	-	(56,116)	(56,116)	
Appropriation to safety fund surplus reserve	-	-	-	-	16,862	-	-	(20,992)	(4,130)	4,130	-	
Utilisation of safety fund surplus reserve	-	-	-	-	(6,158)	-	-	7,152	994	(994)	-	
Dividend recognised as distribution	-	-	-	-	-	-	-	(74,200)	(74,200)	-	(74,200)	
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(10,812)	(10,812)	
Other	-	-	-	-	-	-	-	-	-	(502)	(502)	
At 31 December 2025	271,250	(130,291)	926,188	135,625	26,619	(15,748)	(172,998)	4,681,573	5,722,218	1,978,120	7,700,338	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES		
Profit before tax	961,032	797,075
Adjustments for:		
Depreciation of property, plant and equipment	299,207	244,858
Depreciation of right-of-use assets	42,460	32,281
Depreciation of investment properties	351	392
Amortisation of intangible assets	9,633	9,438
Finance costs	181,444	144,568
Gain on disposal of property, plant and equipment	(2,791)	(1,014)
Share of results of a joint venture and associates	20,090	9,406
Loss on disposal of a subsidiary	377	–
Gain on disposal of investment property	–	(8,271)
Gain on early termination of lease agreement	(63)	(226)
Gain on bargain purchase arising on acquisitions of subsidiaries	(77)	(168,230)
Gain on changes in fair value of financial assets at FVTPL	(1,347)	(1,315)
Exchange gain, net	(178)	(1,133)
(Reversal of impairment losses) impairment losses recognised for trade and bills receivables, net	(7,589)	1,363
Reversal of impairment losses recognised for other receivables, net	(2,307)	(4,432)
Impairment losses recognised on goodwill	1,655	6,503
Impairment losses recognised on intangible assets	49,298	11,120
Write-down of inventories	69,157	85,954
Interest income	(24,990)	(33,170)
Operating cash flows before movements in working capital	1,595,362	1,125,167
Increase in inventories	(576,715)	(352,760)
(Increase) decrease in restricted bank deposits	(79,459)	251,813
Increase in trade and bills receivables	(114,325)	(338,254)
Increase in bills receivables at FVTOCI	(160,489)	(134,311)
(Increase) decrease in other receivables, deposits and prepayments	(18,842)	157,013
Increase (decrease) in trade payables	287,303	(38,221)
Decrease in other payables	(14,098)	(138,054)
Increase (decrease) in contract liabilities	65,514	(17,894)
Increase in deferred income	8,371	2,166
Cash generated from operations	992,622	516,665
Interest received	24,990	33,170
Income taxes paid	(116,302)	(42,442)
NET CASH FROM OPERATING ACTIVITIES	901,310	507,393

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	25,501	39,392
Proceeds from disposal of investment property	–	26,756
Purchases of property, plant and equipment	(739,306)	(331,068)
Prepayments for right-of-use assets	–	(6,766)
Purchase of intangible assets	(6,298)	(9,228)
Net cash outflow from acquisitions of subsidiaries	–	(358,383)
Net cash outflow from disposal of a subsidiary	(1,288)	–
Acquisition of investment in a joint venture	–	(200,000)
Proceeds from disposals of financial assets at FVTPL	3,818	30,000
NET CASH USED IN INVESTING ACTIVITIES	(714,997)	(809,297)
FINANCING ACTIVITIES		
Dividend paid	(74,200)	(48,346)
Payment on repurchase of shares by a subsidiary	(56,116)	(130,291)
Capital contribution by the non-controlling shareholders	–	1,100
Acquisitions of additional interests from non-controlling shareholders of subsidiaries	(12,602)	(66,500)
Proceeds from bank and other borrowings	3,914,784	4,518,817
Repayment of bank and other borrowings	(3,524,412)	(3,525,412)
Dividends paid to non-controlling shareholders of the Company	(10,812)	(10,294)
Deferred issue costs paid	(14,894)	–
Interest paid	(189,211)	(151,642)
Principal portion of lease payments paid	(23,296)	(16,979)
NET CASH FROM FINANCING ACTIVITIES	9,241	570,453
NET INCREASE IN CASH AND CASH EQUIVALENTS	195,554	268,549
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,014,764	1,744,791
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(7,513)	1,424
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,202,805	2,014,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Qingdao Gon Technology Co., Ltd. (the “**Company**”) was incorporated in Qingdao City of Shandong Province of the People’s Republic of China (the “**PRC**”) as a joint stock company with limited liability on 22 December 2000. The Company’s A shares have been listed on Shenzhen Stock Exchange since 30 June 2015. The Company’s H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 4 February 2026. The addresses of the registered office of the Company and principal places of business of the Company are No. 2 Qingda Industrial Park Jihongtan Subdistrict, Chengyang District of Qingdao City. In the opinion of the directors, during the Year ended 31 December 2025 and up to the date of this report, the Company is ultimately controlled by Mr. Wang Aiguo, Ms. Xu Bo and Qingdao Century Xinghao Investment Co., Ltd. (“**Xinghao Investment**”) which is controlled by Ms. Xu Bo (“**the “Controlling Shareholders**”).

The Company and its subsidiaries are principally engaged in research, development, production, and sales of plastic raw materials and products, modified plastics, plastic alloy materials, functional plastic sheets, molds, composite materials and products, gelatin, collagen and its derivatives, biopharmaceuticals and health products.

These consolidated financial statements have been approved for issue by the directors of the Company on 30 March 2026.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”) and include applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

All IFRS Accounting Standards are effective for the accounting period beginning on 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2025. The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised in note 4.

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets at fair value through profit or loss and other comprehensive income that have been measured at fair value, at the end of each reporting period.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards – Volume 11¹</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>

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

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

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

The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group's presentation in the statement of profit or loss and other comprehensive income and disclosures of the Group's financial performance. The new standard is not expected to have any impact on the Group's results of operations and financial position but has impact on the presentation and disclosure of the Group's financial statements. Other than IFRS 18, so far, the Group considers that IFRS 19 and other amended IFRS Accounting Standards are unlikely to have a significant impact on the Group's financial performance and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies are set out below.

Basis of combination

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these 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.

Profit or loss and each component of other comprehensive income of subsidiaries 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in capital reserve and attributed to owners of the Company.

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

The Group recognised 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 customers.

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 asset is created or enhanced; 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 goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Contract liabilities *(Continued)*

The Group recognised revenue from the following major sources:

- Sales of green petrochemical materials
- Sales of organic polymer composite materials
- Sales of organic polymer modified materials
- Sales of gelatin, collagen and their derivatives
- Sales of empty capsules and other health products

Sales of goods

Revenue from the sale of industrial products and health products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products and health products. The Group recognises revenue from the sale of industrial products and health products on a gross basis as it is the principal that controls the goods before transferring them to the customers and is liable for storage, damage and loss of goods, assumes the price fluctuation risks of goods and promises to provide the specified goods under the terms of the contract.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 foreign 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 year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing 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 (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying 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 remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Retirement benefits costs and termination benefits

Payments to defined contribution plans, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 is 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 by the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss. 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 other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (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. The estimated useful lives or the principal annual rates of items of property, plant and equipment are as follows:

	Useful lives
Plant and buildings	20 to 40 years
Machinery and equipment	5 to 20 years
Furniture and fixtures	3 to 14 years
Motor vehicles	4 to 10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment *(Continued)*

Ownership interests in leasehold land and buildings *(Continued)*

Properties 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 cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The investment properties are depreciated on a straight-line basis over the shorter of the term of the lease and 30 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Internally-generated intangible assets – research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful life are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible 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 plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) *(Continued)*

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 cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid 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 for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment loss in the statement of financial position of the Company.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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 IFRS 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade 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 marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding the expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, 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. If, in subsequent reporting periods, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTOCI (debt instruments)

The Group's debt instruments are classified and measured subsequently at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's debt instruments classified as at FVTOCI includes bills receivables at FVTOCI. Fair value is determined in the manner described in note 42(c). Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debts instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profits.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income, gains and losses, net' line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as 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 to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other income, gains and losses, net' line item.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables. The expected credit losses on these financial assets and other items are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month 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 increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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 in to account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments *(Continued)*

Significant increase in credit risk *(Continued)*

- 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;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor 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 debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments *(Continued)*

Measurement and recognition of expected credit losses

The measurement of expected credit losses 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 adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated 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 original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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 group entities are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combinations applies, 2) held for trading, or 3) it is designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other income, gains and losses, net' line item in profit or loss.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to other reserve. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Convertible bonds *(Continued)*

When determining the classification of convertible bonds (including the host liability and the conversion option component) as current or non-current, the Group considers both the redemption through cash settlement and the transfer of the Group's own equity instruments as a result of exercise of conversion options by holders as settlement of the convertible bonds.

Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets, intangible assets and goodwill for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Controls in subsidiaries

Baotou Dongbao Bio-Tech Co., Ltd. ("**Dongbao Bio-Tech**") is a subsidiary of the Group even though the Group has only a 21.18% ownership interest and has only 21.18% of the voting rights in Dongbao Bio-Tech and the remaining 78.82% of the ownership interests are held by numerous shareholders that are unrelated to the Group at 31 December 2025 and 2024. Dongbao Bio-Tech is a public limited company incorporated in Inner Mongolia Autonomous Region of PRC and its shares are listed on the Shenzhen Stock Exchange.

The directors of the Company assessed the Group's control over Dongbao Bio-Tech on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider that the Group is the single largest shareholder of Dongbao Bio-Tech and holds significantly more voting rights than any other vote holder or organised group of vote holders, and the other shareholdings are widely dispersed, so the Group has control over Dongbao Bio-Tech.

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 have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Key sources of estimation uncertainty *(Continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2025, the carrying amount of goodwill is RMB331,975,000 (2024: RMB333,630,000), net of accumulated impairment loss of RMB8,158,000 (2024: RMB6,503,000). Details of the recoverable amount calculation are disclosed in note 18.

Income taxes

As at 31 December 2025, a deferred tax asset of RMB23,964,000 (2024: RMB41,442,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB702,743,000 (2024: RMB507,736,000) due to the unpredictability of future profit streams for certain subsidiaries. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Impairment of trade and bills receivables

The impairment provisions for trade and bills receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2025, the carrying amounts of trade and bills receivables were approximately RMB3,567,541,000 (2024: RMB3,454,614,000), net of allowance for impairment loss of approximately RMB107,828,000 (2024: RMB118,324,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Key sources of estimation uncertainty *(Continued)*

Write-down of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each financial year end.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2025 RMB'000	2024 RMB'000
Types of goods or services		
Sales of goods		
Green petrochemical materials	5,289,697	3,869,138
Organic polymer modified materials	10,357,221	10,324,910
Organic polymer composite materials	3,917,302	3,175,422
Gelatin, collagen and their derivatives	331,659	483,574
Empty capsules	411,768	366,635
	20,307,647	18,219,679
Others – trading of other chemical products and health products	943,203	967,451
Revenue from contracts with customers	21,250,850	19,187,130
Rental income	381	381
Total	21,251,231	19,187,511
Timing of revenue recognition		
At a point of time	21,250,850	19,187,130
Rental income	381	381
Total	21,251,231	19,187,511

Performance obligations for contracts with customers

Information about the Group's performance obligations is summarised below:

Sale of goods

For domestic industrial products and health products sales, the performance obligation is satisfied upon obtaining the delivery receipt after the customer's acceptance. For export industrial products and health products sales, the Group fulfills its performance obligation upon obtaining the bill of lading after arranging for a third-party logistics provider to ship the goods to the port, load them onto the vessel, and complete customs clearance for export.

Transaction price allocated to the remaining performance obligation for contracts with customers

The sales contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the goods sold. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

Information regularly reported to the Group's chief executive officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on the type of operation. The Group's reportable and operating segments under IFRS 8 Operating Segments are as follows:

New chemical materials	– production and sale of chemicals product
Health and wellness	– production, and sales of gelatin, collagen, and their extensions
Others	– lease of investment properties

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of unadjusted profit/loss before tax.

No analysis of segment asset and segment liability is presented as the chief reporting decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2025

	New chemical materials RMB'000	Health and wellness RMB'000	Others RMB'000	Total RMB'000
Revenue				
Sales to external customers	20,506,084	744,766	381	21,251,231
Segment results	967,111	(6,127)	48	961,032
Profit before tax				961,032

For the year ended 31 December 2024

	New chemical materials RMB'000	Health and wellness RMB'000	Others RMB'000	Total RMB'000
Revenue				
Sales to external customers	18,334,935	852,195	381	19,187,511
Segment results	696,667	100,419	(11)	797,075
Profit before tax				797,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations and location of non-current assets are substantially in the People's Republic of China (the "PRC"). Information about the Group's revenue from external customers is presented based on location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets. All non-current assets are allocated to reportable and operating segments.

Revenue from the external customers, based on the location of its customers, are as follows:

	2025 RMB'000	2024 RMB'000
<i>Geographical region</i>		
Mainland China	20,948,676	18,884,010
Overseas	302,555	303,501
Total	21,251,231	19,187,511

Non-current assets based on their locations are as follows:

	2025 RMB'000	2024 RMB'000
<i>Geographical region</i>		
Mainland China	7,294,864	7,105,546
Hong Kong	176,159	179,141
Total	7,471,023	7,284,687

Note: Non-current assets excluded equity instruments designated at FVTOCI and deferred tax assets.

Information about major customers

None of the customer accounted for 10% or more of aggregate revenue of the Group during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME, GAINS AND LOSSES, NET

	2025 RMB'000	2024 RMB'000
Exchange gain, net	178	1,133
Bank interest income	24,990	33,170
Government grants (<i>Note</i>)	40,423	26,168
Additional value added tax deductions	91,242	121,896
Loss on disposal of a subsidiary (<i>note 45</i>)	(377)	–
Investment return from financial assets at FVTPL	–	429
Gain from changes in fair value of financial assets at FVTPL	1,347	1,315
Commercial compensation	635	1,664
Gain on disposal of property, plant and equipment	2,791	1,014
Gain on disposal of investment property	–	8,271
Gain on bargain purchase arising on acquisitions of subsidiaries (<i>note 43</i>)	77	168,230
Gain on early termination of lease agreement	63	226
Donation	(5,320)	(4,955)
Impairment losses on intangible assets	(49,298)	(11,120)
Impairment losses on goodwill	(1,655)	(6,503)
Reversal of impairment losses (impairment losses) on trade and bills receivables, net	7,589	(1,363)
Reversal of impairment losses on other receivables, net	2,307	4,432
Bank charges	(13,218)	(5,620)
Others	(349)	(865)
Total	101,425	337,522

Note:

Government grants represented unconditional cash payments granted by government authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on:		
Bank and other borrowings	172,569	144,087
Convertible bonds	13,658	13,642
Discounted bills receivable	17,498	5,106
Lease liabilities	1,582	1,760
Total borrowing costs	205,307	164,595
Less: amounts capitalised to construction in progress	(23,863)	(20,027)
Total	181,444	144,568

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.5% (2024: 1.9%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax-Mainland China		
Charge for the year	123,055	72,840
Deferred tax (<i>note 24</i>)	1,175	3,649
Total	124,230	76,489

According to the Corporate Income Tax (“CIT”) Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2025 and 2024.

The Company and certain of the Company’s subsidiaries were eligible for a preferential income tax rate of 15% (2024: 15%) for a qualification of “High and New Technology Enterprise”.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% (2024: 16.5%) on any estimated assessable profits arising in Hong Kong. No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in Hong Kong during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE *(Continued)*

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Additional Deduction**”). The State Taxation Administration of The People's Republic of China (“**STA**”) further announced in March 2021 that manufacturing enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Accelerated Deduction since 1 January 2021. The STA further announced in March 2023 that eligible enterprises would entitle to claim 200% of their research and development expenses as Additional Deduction since 1 January 2023. The Group has made its best estimate for the Additional Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2025 and 2024.

The income tax expense can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	961,032	797,075
Tax at the domestic income tax rate of 25%	240,258	199,269
Tax effect of different tax rates of subsidiaries	(99,533)	(69,988)
Losses attributable to joint ventures and associates	2,947	253
Income not subject to tax	(1,096)	(40,172)
Tax effect of non-deductible expenses	7,097	3,688
Tax effect of utilisation of deductible temporary differences not recognised	(5,067)	(6,038)
Deductible temporary differences and tax losses not recognised	54,298	62,221
Effect on opening deferred tax of decrease in rates	-	(805)
Profits Tax concession	(124)	(238)
Additional deduction for qualified research and development expenses	(74,550)	(71,701)
Income tax expense	124,230	76,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PROFIT BEFORE TAX

	2025 RMB'000	2024 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	3,930	3,762
Other staffs' salaries	604,166	483,967
Other staffs' retirement benefit scheme contributions	70,450	61,254
Total staff costs	678,546	548,983
Cost of inventories sold	17,211,649	15,970,465
Auditor's remuneration	3,750	2,150
Listing fees expensed off	607	–
Depreciation of property, plant and equipment (note 15)	299,207	244,858
Depreciation of right-of-use assets (note 16)	42,460	32,281
Depreciation of investment properties (note 17)	351	392
Amortisation of intangible assets (note 19)	9,633	9,438
Expense relating to short-term leases	2,249	1,001
Reversal of impairment losses (impairment losses) on trade and bills receivables, net	7,589	(1,363)
Reversal of impairment losses on other receivables, net	2,307	4,432
Provision for impairment losses on assets		
– Goodwill (note 18)	1,655	6,503
– Intangible assets (note 19)	49,298	11,120
– Inventories (note 25)	69,157	85,954
	120,110	103,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

Details of the emoluments paid to the individuals including emoluments for services as senior management of the group entities prior to becoming the directors of the Company, are as follows:

For the year ended 31 December 2025

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director:					
Mr. Wang Aiguo	-	720	480	36	1,236
Mr. Li Zonghao	-	481	300	36	817
Mr. Zhang Shide (note i)	-	209	125	-	334
Ms. Li Huiying	-	357	226	36	619
Mr. Han Bo (note ii)	-	278	175	21	474
Independent non-executive director:					
Mr. Wang Yaping	150	-	-	-	150
Mr. Sun Jianqiang	150	-	-	-	150
Ms. Hong Ting (note iii)	85	-	-	-	85
Ms. Liu Shuyan (note iv)	65	-	-	-	65
	450	2,045	1,306	129	3,930

For the year ended 31 December 2024

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director:					
Mr. Wang Aiguo	-	684	480	36	1,200
Mr. Li Zonghao	-	443	272	36	751
Mr. Zhang Shide (note i)	-	499	300	-	799
Ms. Li Huiying	-	323	203	36	562
Independent non-executive director:					
Mr. Wang Yaping	150	-	-	-	150
Mr. Sun Jianqiang	150	-	-	-	150
Ms. Liu Shuyan (note iv)	150	-	-	-	150
	450	1,949	1,255	108	3,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

Notes:

- (i) Mr. Zhang Shide resigned as an executive director on 23 May 2025.
- (ii) Mr. Han Bo was appointed as an executive director on 6 June 2025.
- (iii) Ms. Hong Ting was appointed as an independent non-executive director on 6 June 2025.
- (iv) Ms. Liu Shuyan resigned as an independent non-executive director on 6 June 2025.

Performance related bonuses are determined based on the Group's performance and performance of the relevant individual within the Group.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as independent non-executive directors of the Company.

Mr. Wang Aiguo is also the Chief Executive of the Company and his remuneration disclosed above includes those for services rendered by him as the Chief Executive.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

(b) Five highest paid employees

The five highest paid individuals of the Group included two (2024: three) directors whose emoluments for the year ended 31 December 2025 are included in the disclosure above. The remuneration of the remaining three (2024: two) individuals during the year ended 31 December 2025 were as follows:

	2025	2024
	RMB'000	RMB'000
Salaries and other allowances	2,386	1,029
Performance related bonuses	595	590
Retirement benefit scheme contributions	144	40
	3,125	1,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Five highest paid employees *(Continued)*

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

	2025	2024
	No. of	No. of
	employees	employees
Nil to HKD1,000,000	2	2
HKD1,000,001 to HKD1,500,000	1	–
	3	2

During the year, no emolument were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2024: Nil).

13. DIVIDENDS

	2025	2024
	RMB'000	RMB'000
Dividends declared by the Company	74,200	48,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on:

	2025 RMB'000	2024 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	851,994	685,232
Effect of convertible bonds issued by a subsidiary	N/A	(693)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	851,994	684,539
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	265,000,000	267,687,086

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue, excluding treasury shares held for share schemes as these shares are not considered outstanding for the purpose of calculating the basic earnings per share.

The calculation of the diluted earnings per share is based on the profit for the year attributable to owners of the Company, taking into the effects of parent's proportionate interest in the subsidiary's profits or losses attributable to convertible bonds issued by the non-wholly-owned listed subsidiary. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares outstanding during the years ended 31 December 2025 and 2024, as used in the calculation of the basic earnings per share.

The computation of diluted earnings per share for the year ended 31 December 2025 does not assume the conversion of the convertible bonds issued by a subsidiary since their exercise would result in an increase in earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2024	1,899,719	1,452,267	143,593	49,213	801,359	4,346,151
Additions	15,745	50,345	18,459	11,069	341,844	437,462
Acquisitions of subsidiaries (note 43)	418,284	198,605	7,915	6,185	1,357,889	1,988,878
Transfer from construction in progress	118,241	188,035	7,515	–	(313,791)	–
Disposals	(17,588)	(20,040)	(10,259)	(5,803)	–	(53,690)
Exchange adjustment	1,175	438	1,175	39	–	2,827
At 31 December 2024	2,435,576	1,869,650	168,398	60,703	2,187,301	6,721,628
Additions	8,351	48,438	25,205	9,389	638,350	729,733
Acquisitions of subsidiaries (note 43)	32,974	7,631	259	76	–	40,940
Transfer from construction in progress	475,967	182,100	3,268	540	(667,918)	(6,043)
Transfer to construction in progress	(4,069)	(4,976)	–	–	9,045	–
Disposals	(725)	(11,143)	(19,419)	(8,587)	–	(39,874)
Reclassified to assets held for sale (note 22)	(200,895)	–	–	–	–	(200,895)
Exchange adjustment	(4,165)	(8,037)	(178)	(73)	–	(12,453)
At 31 December 2025	2,743,014	2,083,663	177,533	62,048	2,166,778	7,233,036
DEPRECIATION						
At 1 January 2024	270,734	475,920	90,249	29,091	–	865,994
Provided for the year	69,927	144,807	22,276	7,848	–	244,858
Disposals	(92)	(7,899)	(4,218)	(3,103)	–	(15,312)
Exchange adjustment	1,999	3,411	123	53	–	5,586
At 31 December 2024	342,568	616,239	108,430	33,889	–	1,101,126
Provided for the year	104,587	163,563	22,016	9,041	–	299,207
Disposals	(218)	(7,129)	(4,069)	(5,748)	–	(17,164)
Reclassified to assets held for sale (note 22)	(103,274)	–	–	–	–	(103,274)
Exchange adjustment	(2,080)	(6,942)	(140)	(12)	–	(9,174)
At 31 December 2025	341,583	765,731	126,237	37,170	–	1,270,721
CARRYING VALUES						
At 31 December 2025	2,401,431	1,317,932	51,296	24,878	2,166,778	5,962,315
At 31 December 2024	2,093,008	1,253,411	59,968	26,814	2,187,301	5,620,502

As at 31 December 2025, the Group's plant and buildings, machinery and equipment and construction in progress of approximately RMB903,910,000 (2024: RMB1,150,383,000) were pledged to secure bank and other borrowings granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS

	Land use right RMB'000	Buildings RMB'000	Port facilities RMB'000	Total RMB'000
COST				
At 1 January 2024	500,655	66,937	–	567,592
Additions	6,649	27,986	–	34,635
Acquisitions of subsidiaries (note 43)	202,267	–	15,257	217,524
Termination of leases	–	(7,246)	–	(7,246)
Exchange adjustment	151	–	211	362
At 31 December 2024	709,722	87,677	15,468	812,867
Additions	–	21,575	–	21,575
Derecognition upon the expiry of lease	–	(3,679)	–	(3,679)
Acquisitions of subsidiaries (note 43)	10,905	–	–	10,905
Termination of leases	–	(44,609)	–	(44,609)
Reclassified to assets held for sale (note 22)	(78,753)	–	–	(78,753)
Exchange adjustment	(810)	(166)	(381)	(1,357)
At 31 December 2025	641,064	60,798	15,087	716,949
DEPRECIATION				
At 1 January 2024	37,520	39,296	–	76,816
Provided for the year	12,659	17,415	2,207	32,281
Termination of leases	–	(2,193)	–	(2,193)
Exchange adjustment	82	–	3	85
At 31 December 2024	50,261	54,518	2,210	106,989
Provided for the year	18,158	19,130	5,172	42,460
Derecognition upon the expiry of lease	–	(3,679)	–	(3,679)
Termination of leases	–	(35,910)	–	(35,910)
Reclassified to assets held for sale (note 22)	(9,358)	–	–	(9,358)
Exchange adjustment	(160)	(9)	(54)	(223)
At 31 December 2025	58,901	34,050	7,328	100,279
CARRYING VALUES				
At 31 December 2025	582,163	26,748	7,759	616,670
At 31 December 2024	659,461	33,159	13,258	705,878

As at 31 December 2025, the Group's land use right of approximately RMB134,900,000 (2024: RMB283,903,000) were pledged to secure bank and other borrowings granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
COST		
At the beginning of the year	7,013	31,098
Disposal	-	(24,085)
At the end of the year	7,013	7,013
DEPRECIATION		
At the beginning of the year	4,436	9,644
Provided for the year	351	392
Disposals	-	(5,600)
At the end of the year	4,787	4,436
CARRYING VALUES		
At the beginning of the year	2,577	21,454
At the end of the year	2,226	2,577

The fair value of the Group's investment properties as at 31 December 2025 was RMB6,708,000 (2024: RMB6,731,000). The fair value has been arrived at based on a valuation carried out by Qingdao Tianhe Asset Appraisal Co., Ltd., independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 Fair Value Measurement. There were no transfers between levels of fair value hierarchy.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. GOODWILL

	2025 RMB'000	2024 RMB'000
COST		
At the beginning of the year	340,133	340,133
IMPAIRMENT		
At the beginning of the year	6,503	–
Impairment loss recognised during the year	1,655	6,503
At the end of the year	8,158	6,503
CARRYING VALUES		
At the beginning of the year	333,630	340,133
At the end of the year	331,975	333,630

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives acquired through business combination is allocated to Dongbao Bio-Tech cash-generating unit (“**Dongbao Bio-Tech CGU**”). Property, plant and equipment, right-of-use assets and trademarks (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the Dongbao Bio-Tech CGU.

The calculation of recoverable amount of the Dongbao Bio-Tech CGU as at 31 December 2025 and 2024 has been determined by the fair value less cost of disposal based on the enterprise value of Dongbao Bio-Tech and its subsidiaries by reference to the quoted market price available on Shenzhen Stock Exchange as at 31 December 2025 and 2024, which are level 1 input in accordance with IFRS 13 Fair Value Measurement, after deducting the unrelated assets and liabilities with the CGU from the enterprise value of Dongbao Bio-Tech.

Based on the result of impairment assessment, the recoverable amount, carrying amount of Dongbao Bio-Tech CGU and details of impairment provision of Dongbao Bio-Tech CGU are as follows:

During the year ended 31 December 2025, the Group recognised an impairment loss of RMB1,655,000 (2024: RMB6,503,000) in profit or loss, to write down the carrying amount of goodwill in relation to Dongbao Bio-Tech CGU to its recoverable amount.

As at 31 December 2025, the recoverable amount of goodwill in respect of Dongbao Bio-Tech CGU is higher than its carrying amount. In view of the directors of the Company, no further impairment loss is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. GOODWILL (Continued)

As at 31 December 2024

	Recoverable amount RMB'000	Carrying amount RMB'000	Percentage of the share hold by the Group	Impairment provision RMB'000
Dongbao Bio-Tech CGU	2,776,279	2,806,981	21.18%	6,503

19. INTANGIBLE ASSETS

	Trademark RMB'000	Software RMB'000	Non-patent technology RMB'000	Patent RMB'000	Total RMB'000
COST					
At 1 January 2024	266,166	7,216	18,751	52,494	344,627
Additions	21	663	5,423	3,121	9,228
Acquisitions of subsidiaries (note 43)	5	1	–	188	194
Transfer	–	–	(2,674)	2,674	–
At 31 December 2024	266,192	7,880	21,500	58,477	354,049
Additions	–	290	–	1,887	2,177
Acquisitions of subsidiaries (note 43)	2	–	–	4,022	4,024
Transfer from construction in progress	–	6,043	–	–	6,043
At 31 December 2025	266,194	14,213	21,500	64,386	366,293
AMORTISATION AND IMPAIRMENT					
At 1 January 2024	–	4,041	5,914	14,407	24,362
Provided for the year	–	1,275	1,885	6,278	9,438
Impairment loss recognised	11,120	–	–	–	11,120
Transfer	–	–	(1,200)	1,200	–
At 31 December 2024	11,120	5,316	6,599	21,885	44,920
Provided for the year	–	898	2,093	6,642	9,633
Impairment loss recognised	49,298	–	–	–	49,298
At 31 December 2025	60,418	6,214	8,692	28,527	103,851
CARRYING VALUES					
At 31 December 2025	205,776	7,999	12,808	35,859	262,442
At 31 December 2024	255,072	2,564	14,901	36,592	309,129

The useful lives are as follows:

Patent rights and non-patented technology	5 years to 15 years
Software	3 years to 10 years
Trademark	Indefinite life

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTANGIBLE ASSETS *(Continued)*

The trademark has a legal life of 10 years but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amount of trademark is determined based on a value in use calculation using cash flow projections directly attributable to the trademark based on financial budgets covering a five-year period approved by the management.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

Revenue	The basis used to determine the value assigned is based on past performance and management expectation for the market development and planned production capacity of the product directly attributable to the trademark.
Royalty rate	The royalty rate is estimated based on the royalty rates from similar intangible assets in the same industry and adjusted to modify rates based on asset uniqueness, market position, and exclusivity.
Discount rates	The discount rates used are before tax and reflect specific risk relating to Dongbao Bio-Tech and adjusted for trademark-specific risks. The discount rates applied to cash flow projections during the year ended 31 December 2025 were assumed to be 11.60% (2024: 12.30%).
Long-term growth rate	The growth rates used to extrapolate the cash flows beyond the five-year period for collagen series products were 1% while the growth rates used to extrapolate the cash flows beyond the five-year period for gelatin series products were 0% during the years ended 31 December 2025 and 2024. The growth rates do not exceed long-term average growth rates for the business in which the CGU operates. The growth rates and discount rates have been assessed taking into consideration higher degree of estimation uncertainties in the current year due to volatility in the financial markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTANGIBLE ASSETS *(Continued)*

The values assigned to the key assumptions on market development of the industries in which the CGU operates, discount rate and long-term growth rate are consistent with external information sources.

Impairment losses on trademark of RMB49,298,000 (2024: RMB11,120,000) were recognised during the year ended 31 December 2025 due to the unfavorable market conditions of health industry.

20. INTERESTS IN A JOINT VENTURE

During the year ended 31 December 2024, the Group acquired equity interests of 50% in Shanghai Yucheng Industrial Co., Ltd (“**Shanghai Yucheng**”) for a consideration of RMB200,000,000.

Particulars of the Group’s joint venture, which was established and operates in Mainland China, are as follows:

Name of entity	Proportion of registered capital/ voting rights held by the Group	Registered capital RMB'000	Principal activity
上海侯城實業有限公司 Shanghai Yucheng	50%	70,000	Investment holding, property management and research and development of new materials

The Group’s shareholding in Shanghai Yucheng is directly held by the Company.

The summarised financial information in respect of the joint venture and is accounted for using equity method is set out below:

	2025 RMB'000	2024 RMB'000
Current assets	685	326
Non-current assets	642,751	659,465
Current liabilities	(60,259)	(30,619)
Non-current liabilities	(230,000)	(240,000)
Loss and total comprehensive expense for the year ended 31 December 2025/the eight-months period from the acquisition date to 31 December 2024	(35,995)	(10,828)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INTERESTS IN A JOINT VENTURE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Yucheng recognised in the consolidated financial statements:

	2025	2024
	RMB'000	RMB'000
Net assets	353,177	389,172
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of the joint venture	176,589	194,586

21. INTERESTS IN ASSOCIATES

	2025	2024
	RMB'000	RMB'000
Share of net assets	16,256	17,908

Particulars of the Group's associates, which were established and operate in Mainland China, are as follows:

Name of entity	Proportion of registered capital/ voting rights held by the Group	Registered capital RMB'000	Principal activity
Baotou Baochenglian Fine Chemical Co., Ltd (包頭市寶成聯精細化工有限責任公司)	49%	18,600	Production and sales of hydrochloric acid
Tongliao Mengbao Biotechnology Co., Ltd (通遼市蒙寶生物科技有限公司)	49%	35,000	Processing and sales of cattle by-products
Zhejiang Guojiang New Materials Technology Co., Ltd (浙江國疆新材料科技有限公司)	36%	10,000	Manufacturing of high-performance fibers and composite materials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INTERESTS IN ASSOCIATES *(Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2025 RMB'000	2024 RMB'000
Share of the associates' losses for the year	(2,093)	(3,992)
Share of the associates' total comprehensive expense for the year	(2,093)	(3,992)
Carrying amount of the Group's investments in the associates	16,256	17,908

22. ASSETS CLASSIFIED AS HELD SALE

The major classes of assets of the chemical production line classified as held for sale are as follows:

	2025 RMB'000
Property, plant and equipment	97,621
Right-of-use assets	69,395
Total assets classified as held for sale	167,016

The assets classified as held for sale in accordance with IFRS 5 consist of a manufacturing plant (property, plant and equipment) located in Jiangsu Province and a parcel of vacant land (right-of-use assets) adjacent to the plant. The Company has decided to sell these assets through government-led reservation and acquisition (hereinafter referred to as “**acquisition and storage**”) to optimise its asset structure, focus on its core business, and improve cash flow. The acquisition and storage is conducted by the local government's designated asset reserve institution, which is a policy-oriented asset disposal behavior in line with local urban planning and resource allocation requirements.

During the year ended 31 December 2025, the subsidiary of the Group has signed a formal acquisition and storage agreement with the government's designated reserve institution, specifying the acquisition and storage price, payment terms and assets handover schedule. The acquisition and storage is highly probable to be completed on or before 31 December 2026, which is within 12 months from the date of classification. The acquisition and storage price is consistent with the fair value less costs to sell of the assets, and there is no indication that the acquisition and storage will not be completed within the expected timeframe, these assets have been classified as held for sale.

These non-current assets do not represent a separate major line of business or geographical area of operations and accordingly do not qualify as discontinued operations. The related assets are presented separately as assets held for sale in the consolidated statement of financial position as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

Equity instruments designated at FVTOCI represent the Group's equity interest in unlisted entities established in the PRC. The management of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. For the details of fair value measurement of the above equity instruments, please refer to note 42(c).

24. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement 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:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	23,120	17,961
Deferred tax liabilities	(156,541)	(149,236)
	(133,421)	(131,275)

The deferred tax assets (liabilities) recognised by the Group and movements thereon are as follows:

	Tax losses RMB'000	Impairment on assets RMB'000	Fair value adjustment arising from business combination RMB'000	Excess carrying value of property, plant and equipments over tax depreciation RMB'000	Convertible bonds RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	45,624	28,023	(70,213)	(68,939)	(5,639)	7,560	(63,584)
(Charge) credit to profit or loss for the year	(4,182)	(1,332)	7,141	(4,603)	-	(673)	(3,649)
Acquisitions of subsidiaries (note 43)	-	-	(63,887)	-	-	(155)	(64,042)
At 31 December 2024	41,442	26,691	(126,959)	(73,542)	(5,639)	6,732	(131,275)
(Charge) credit to profit or loss for the year	(17,478)	(624)	12,813	2,145	2,114	(145)	(1,175)
Acquisitions of subsidiaries (note 43)	-	-	(1,077)	-	-	-	(1,077)
Exchange differences	-	-	-	-	-	106	106
At 31 December 2025	23,964	26,067	(115,223)	(71,397)	(3,525)	6,693	(133,421)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEFERRED TAXATION *(Continued)*

As at 31 December 2025 and 2024, the Group has unused tax losses available for offset against future profits and deductible temporary differences, no deferred tax asset has been recognised due to the unpredictability of future profit streams as below:

The unrecognised tax losses will expire in the follow years:

	2025 RMB'000	2024 RMB'000
2025	–	12,199
2026	14,773	17,759
2027	21,321	18,984
2028	23,794	35,818
2029	91,531	76,650
2030 and beyond	551,324	346,326
	702,743	507,736

25. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	2,678,514	2,631,638
Work in progress	288,808	303,836
Finished goods	931,060	479,970
Low value consumables	33,251	23,615
Others	3,128	7,459
	3,934,761	3,446,518
Write-down	(59,539)	(68,863)
	3,875,222	3,377,655

During the year ended 31 December 2025, inventories write-down recognised by the Group amounted to RMB69,157,000 (2024: RMB85,954,000) were provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND BILLS RECEIVABLES

	Notes	2025 RMB'000	2024 RMB'000
Trade receivables	(a)	2,951,599	2,889,964
Less: Expected credit losses		(104,209)	(114,909)
		2,847,390	2,775,055
Bills receivables	(b)	723,770	682,974
Less: Expected credit losses		(3,619)	(3,415)
		720,151	679,559
		3,567,541	3,454,614

Notes:

- (a) The Group generally allows credit period ranging from 30 to 90 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the date of revenue recognition:

	2025 RMB'000	2024 RMB'000
Within 1 year	2,790,111	2,702,008
1 to 2 years	12,613	14,334
2 to 3 years	4,494	7,807
Over 3 years	40,172	50,906
	2,847,390	2,775,055

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the aging of customers collectively that are not individually significant as follows:

As at 31 December 2025	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Less than 1 year	0.57	2,806,197	16,086
1 to 2 years	30.69	18,199	5,586
2 to 3 years	49.05	8,820	4,326
More than 3 years	66.07	118,383	78,211
	3.53	2,951,599	104,209

As at 31 December 2024	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Less than 1 year	0.72	2,721,633	19,625
1 to 2 years	35.51	22,226	7,892
2 to 3 years	50.91	15,904	8,097
More than 3 years	60.90	130,201	79,295
	3.98	2,889,964	114,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Notes: *(Continued)*

- (b) All the bills are with a maturity period of less than 6 months.

The carrying amounts of the bills receivables include receivables which are transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis. Under these arrangements, the Group has not transferred the significant risks and rewards relating to these receivables, including the default risk of discounting and endorsing bills. The Group therefore continues to recognise the transferred, discounted and endorsed bills in their entirety and related liabilities.

Bills receivable discounted to banks with full recourse and bills receivable endorsed to suppliers with full recourse are as below:

	2025	2024
	RMB'000	RMB'000
Bills receivable discounted to banks with full recourse	106,317	101,382
Bills receivable endorsed to suppliers with full recourse	149,583	131,381
	255,900	232,763

- (c) The movements in the allowance for impairment of trade and bills receivables are set out below:

	2025	2024
	RMB'000	RMB'000
At the beginning of the year	118,324	115,943
(Reversal of impairment losses) impairment losses recognised	(7,589)	1,363
Acquisitions of subsidiaries	13	1,018
Disposal of a subsidiary	(2,891)	–
Amounts written off as uncollectible	(28)	–
Exchange adjustments	(1)	–
At the end of the year	107,828	118,324

- (d) As at 31 December 2025, except for those discounted and endorsed bills receivables as disclosed in note 26(b), bills receivables of the Group amounting to approximately RMB250,000 (2024: RMB71,593,000), were pledged to secure bank and other borrowings granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. BILLS RECEIVABLES AT FVTOCI

As part of the Group's cash flow management, a substantial part of the trade receivables are settled by bills received from customers and the Group has the practice of endorsing substantial part of the bills to suppliers or discounting the bills to banks before the bills are due for payment and derecognises the bills endorsed or discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, such bills receivables were considered as within the business model to hold to collect contractual cash flows and to sell business model, and classified as bills receivables at FVTOCI. For the details of fair value measurement of the bills receivables at FVTOCI, please refer to note 42(c).

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Non-current		
Prepayment on construction and acquisition of property, plant and equipment	102,550	100,477
Current		
Prepayments to suppliers	716,301	687,731
Deposits	14,292	9,871
Staff advances	1,584	1,314
Prepaid taxes	2,387	3,103
Value-added tax credit refund	91,747	81,865
Deferred listing fees	14,894	–
Other receivables	42,918	59,848
Others	3,286	4,108
Less: Expected credit losses	(47,855)	(50,167)
	839,554	797,673
	942,104	898,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The movements in the loss allowance for expected credit losses of other receivables and other assets are as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	50,167	13,142
Impairment losses recognised	1,940	1,641
Acquisitions of subsidiaries	–	43,128
Amounts written off as uncollectible	–	(1,671)
Impairment losses reversed	(4,247)	(6,073)
Exchange adjustments	(5)	–
At the end of the year	47,855	50,167

29. FINANCIAL ASSETS AT FVTPL

	2025 RMB'000	2024 RMB'000
Listed investments	–	2,471

30. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2025 RMB'000	2024 RMB'000
Cash and bank balances	3,292,467	3,024,967
Less: Pledged deposits	(1,089,662)	(1,010,203)
Cash and cash equivalents	2,202,805	2,014,764
Denominated in RMB	3,205,427	2,982,354
Denominated in HKD	5,617	3,260
Denominated in United States dollars (“USD”)	80,572	39,172
Denominated in Euro (“EUR”)	184	181
Denominated in Thai Baht (“THB”)	667	–
	3,292,467	3,024,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

Pledged bank deposits represents deposits pledged to banks to secure the issue of bills payables and are therefore classified as current assets.

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

As at 31 December 2025 and 2024, the internal credit rating of pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the pledged deposits and cash and cash equivalents and considered its credit risks have not increased significantly since initial recognition. The Group has measured the impairment based on the 12-month ECL, and has assessed that the expected credit losses are immaterial.

31. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	499,493	624,700
Bills payables	3,892,225	3,490,639
Other deposits	1,256	1,770
Interest payables	7,999	5,561
Construction payables	181,418	216,902
Other taxes payables	156,644	168,636
Payroll and welfare payables	67,864	69,690
Endorsed bills receivables to suppliers	149,583	131,381
Other payables	70,519	46,223
	5,027,001	4,755,502

The trade and bills payables of the Group are non-interest-bearing and are normally settled ranged from 30 days to 180 days. The fair value of trade and bills payables approximates to their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade and bills payables presented based on the date of service provided and date of goods acceptance at the end of the reporting period:

	2025	2024
	RMB'000	RMB'000
Within one year	4,360,563	4,087,449
Over one year	31,155	27,890
	4,391,718	4,115,339

32. CONTRACT LIABILITIES

	2025	2024
	RMB'000	RMB'000
Chemical products	139,712	71,733
Health products	7,515	9,917
	147,227	81,650

As at 1 January 2024, contract liabilities amounted to RMB99,472,000.

Contract liabilities include unsatisfied performance obligation for pre-sale of chemical products and health products.

As at 31 December 2025, contract liabilities of RMB147,227,000 (2024: RMB81,650,000) are expected to be released to profit or loss within twelve months from the end of each reporting period.

The following table shows the amount of the revenue recognised for the year in respect of the carried-forward contract liabilities.

	2025	2024
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	80,518	93,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. BANK AND OTHER BORROWINGS

	2025 RMB'000	2024 RMB'000
Discounted bills receivables (<i>note 26(b)</i>)	106,317	101,382
Bank and other borrowings	6,147,310	5,743,466
Total	6,253,627	5,844,848
– Amounts shown under current liabilities	2,805,468	2,217,366
– Amounts shown under non-current liabilities	3,448,159	3,627,482

- (a) The effective interest rates and maturities of the bank and other borrowings (excluding discounted bills receivables) are as follows:

As at 31 December 2025			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans-secured	2.70%	2026	170,000
Bank loans-guaranteed	2.40%–3.60%	2026	674,600
Bank loans-secured and guaranteed	2.60%–3.15%	2026	121,906
Bank loans-unsecured	1.95%–3.30%	2026	1,599,123
Other borrowings-guaranteed	2.45%	2026	10,272
Other borrowings-unsecured	1.05%	2026	123,250
Total current			2,699,151
Non-current			
Bank loans-guaranteed	2.40%–3.60%	2027–2028	348,040
Bank loans-secured and guaranteed	2.60%–3.15%	2028–2033	849,463
Bank loans-unsecured	1.95%–3.30%	2027–2030	1,332,925
Other borrowings-secured and guaranteed	2.45%	2029–2033	797,001
Other borrowings-unsecured	1.05%	2027–2029	120,730
Total non-current			3,448,159
Total			6,147,310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. BANK AND OTHER BORROWINGS *(Continued)*

- (a) The effective interest rates and maturities of the bank and other borrowings (excluding discounted bills receivables) are as follows: *(Continued)*

	As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans-secured	2.50%–3.15%	2025	206,717
Bank loans-guaranteed	2.50%–3.95%	2025	1,757,294
Bank loans-secured and guaranteed	3.25%–3.60%	2025	57,860
Bank loans-unsecured	3.20%	2025	20,000
Other borrowings-unsecured	1.05%	2025	74,113
Total current			2,115,984
Non-current			
Bank loans-secured	2.50%–3.05%	2026–2029	206,050
Bank loans-guaranteed	2.50%–3.95%	2026–2027	1,647,283
Bank loans-secured and guaranteed	3.25%–3.60%	2028–2033	712,140
Other borrowings-secured and guaranteed	2.52%	2029–2033	799,554
Other borrowings-unsecured	1.05%	2026–2029	262,455
Total non-current			3,627,482
Total			5,743,466

- (b) Maturing profile of bank and other borrowings (excluding discounted bill receivables) (based on scheduled repayment dates set out in the loan agreements) is as follows:

	2025 RMB'000	2024 RMB'000
Within one year and on demand	2,699,151	2,115,984
Within a period of more than one year but not more than two years	1,196,064	1,343,404
Within a period of more than two years but not more than five years	1,667,194	1,448,692
Within a period of more than five years	584,901	835,386
	6,147,310	5,743,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. BANK AND OTHER BORROWINGS *(Continued)*

- (c) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank and other borrowings (excluding discounted bill receivables) are as follows:

	2025		2024	
	Effect interest rate (%)	RMB'000	Effect interest rate (%)	RMB'000
Floating rate	2.40%–3.60%	3,747,932	2.50%–3.95%	3,713,511
Fixed rate	1.05%–3.35%	2,399,378	1.05%–3.60%	2,029,955
		6,147,310		5,743,466

- (d) The Group's bank and other borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2025 RMB'000	2024 RMB'000
HKD	–	53,000

- (e) Secured bank and other borrowings of the Group are secured by the Group's property, plant and equipment, right-of-use assets and trade and bills receivables, which were set out in notes 15, 16 and 26, respectively.

In addition, as at 31 December 2025, bank and other borrowings amounted to RMB Nil (2024: RMB11,929,476,000) was guaranteed by Mr. Wang Aiguo, Ms. Xu Bo and Xinghao Investment, the controlling shareholders of the Company, in respect of the Group's bank facilities.

34. CONVERTIBLE BONDS

	2025 RMB'000	2024 RMB'000
Convertible bonds	354,287	340,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. CONVERTIBLE BONDS (Continued)

On 31 July 2023, the subsidiary of the Group issued convertible bonds (“CBs”) bearing interest ranged from 0.3% to 2.5% per annum, which were due on 30 July 2029 with an aggregate principal amount of RMB455,000,000. The Company purchased 21.18% of the issued CBs and CBs held by the Company is classified as financial assets at FVTPL in the financial statements of the Company. The CBs were denominated in RMB and entitle the holders to convert them into ordinary shares of the Dongbao Bio-Tech at any time on or after 5 February 2024 to the maturity date if such bonds shall have been called for redemption by the holders before maturity date. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Group at its principal amount outstanding on maturity date plus accrued interest.

At the issue date, the CBs were bifurcated into liability and equity components. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity (non-controlling interests).

Movements and reconciliation of the liability component of convertible bonds are set out below:

	2025 RMB’000	2024 RMB’000
Carrying amount as at 1 January	340,635	327,018
Converted into shares of the Dongbao Bio-Tech	(6)	(25)
Interest expenses	13,658	13,642
Carrying amount as at 31 December	354,287	340,635

35. LEASE LIABILITIES

	2025 RMB’000	2024 RMB’000
Lease liabilities payable:		
Within one year	20,135	20,711
Within a period of more than one year but not more than two years	7,310	17,900
Within a period of more than two years but not more than three years	2,055	6,634
Within a period of more than three years and within five years	2,503	405
Total	32,003	45,650
Less: Amount due for settlement with 12 months shown under current liabilities	(20,135)	(20,711)
Amount due for settlement after 12 months shown under non-current liabilities	11,868	24,939

As at 31 December 2025, the weighted average incremental borrowing rates applied to lease liabilities ranged from 3.00% to 5.88% per annum (2024: 3.09% to 5.43% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Government grants received in advance	70,258	61,887

37. SHARE CAPITAL

	2025 RMB'000	2024 RMB'000
A shares of RMB1.00 each	271,250	271,250

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All ordinary shares rank equally with regard to the Company's residual net assets.

38. TREASURY SHARE

During the year ended 31 December 2024, the Company purchased 6,250,000 of its shares on the Shenzhen Stock Exchange at a total consideration of RMB130,291,000. As at 31 December 2024 and 31 December 2025, the Group holds 6,250,000 purchased shares which are classified as treasury shares held for the share issue upon exercise of share options under the Company's share option scheme when there is share option scheme being adopted in the future.

39. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received on share issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. RESERVES *(Continued)*

(b) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries established in the PRC, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(c) Safety fund surplus reserve

Pursuant to a notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in November 2022, the Group is required to establish a safety fund surplus reserve based on volume of mineral ore extracted. The safety fund surplus reserve can only be transferred to retained profits to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(d) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Capital reserve

Capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or the difference between the proceeds from disposal and the non-controlling interests disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. RESERVES (Continued)

(e) Capital reserve (Continued)

The Company

	Share premium RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024	947,388	135,625	3,095,532	4,178,545
Total comprehensive income for the year	–	–	527,252	527,252
Dividend recognised as distribution	–	–	(48,346)	(48,346)
At 31 December 2024	947,388	135,625	3,574,438	4,657,451
Total comprehensive income for the year	–	–	757,569	757,569
Dividend recognised as distribution	–	–	(74,200)	(74,200)
At 31 December 2025	947,388	135,625	4,257,807	5,340,820

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current assets		
Property, plant and equipment	821,290	678,705
Right-of-use assets	23,359	18,082
Investment properties	186,569	195,180
Intangible assets	11,143	3,973
Interests in a joint venture	182,002	194,586
Investments in subsidiaries	2,916,689	2,571,981
Prepayments	34,489	31,801
Total non-current assets	4,175,541	3,694,308
Current assets		
Inventories	2,534,229	2,050,441
Trade and bills receivables	2,944,350	3,145,806
Bills receivables at FVTOCI	302,573	262,916
Other receivables, deposits and prepayments	906,613	543,733
Financial assets at FVTPL	122,268	112,222
Pledged bank deposits	859,590	678,949
Bank balances and cash	1,163,376	1,078,992
Total current assets	8,832,999	7,873,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2025 RMB'000	2024 RMB'000
Current liabilities		
Trade and other payables	3,752,410	3,235,759
Contract liabilities	418,257	151,011
Tax liabilities	33,258	29,556
Bank and other borrowings	1,804,583	1,543,804
Lease liabilities	1,947	3,117
Total current liabilities	6,010,455	4,963,247
Net current assets	2,822,544	2,909,812
Total assets less current liabilities	6,998,085	6,604,120
Non-current liabilities		
Bank and other borrowings	1,482,395	1,780,625
Deferred tax liabilities	4,667	2,404
Lease liabilities	6,925	194
Deferred income	22,319	22,487
Total non-current liabilities	1,516,306	1,805,710
Net assets	5,481,779	4,798,410
Equity		
Share capital	271,250	271,250
Treasury share	(130,291)	(130,291)
Reserves	5,340,820	4,657,451
Total equity	5,481,779	4,798,410

41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes bank and other borrowings disclosed in note 33, convertible bonds disclosed in note 34, net of cash and cash equivalents and pledged bank deposits, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as the issue of new debts or the redemption of existing debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
<i>Financial assets</i>		
Financial assets at amortised cost	6,874,233	6,504,511
Bills receivables at FVTOCI	516,713	356,224
Equity instruments designated at FVTOCI	35,196	35,196
Financial assets at FVTPL	–	2,471
<i>Financial liabilities</i>		
At amortised cost	11,123,984	10,431,714
Convertible bonds	354,287	340,635

(b) Financial risk management objectives and policies

The Group's major financial instruments include bills receivables at FVTOCI, equity instruments designated at FVTOCI, financial assets at FVTPL, trade and bills receivables, other receivables and deposits, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price 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

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk related primarily to its variable-rate bank borrowings, pledged bank deposits and bank balances.

The Group is also exposed to fair value interest rate risk related primarily to fixed-rate bank and other borrowings, and convertible bonds. The Group currently does not enter any interest rate swaps to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) *Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate risk for its variable-rate bank borrowings at the end of the reporting period. The pledged bank deposits and bank balances are not included in the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is minimal. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2024: 50) basis points increase or decrease is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 (2024: 50) basis points higher/lower with all other variables were held constant for the Group's post-tax profit for the year ended 31 December 2025 would decrease/increase by RMB14,055,000 (2024: RMB13,926,000).

(ii) *Foreign currency risk*

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange rate risk arising from the assets and liabilities which are denominated in currencies other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in HKD, EUR, THB and USD. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) *Foreign currency risk (Continued)*

The Group's foreign currency denominated monetary assets and monetary liabilities include trade receivables, bank balances, trade and other payables and bank and other borrowings at the carrying amounts are as follows:

	2025	2024
	RMB'000	RMB'000
<i>Assets</i>		
HKD	7,161	3,260
USD	144,518	126,735
THB	667	–
EUR	184	181
<i>Liabilities</i>		
HKD	2,126	53,000
USD	13,718	77,775
EUR	267	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2024: 5%) increase and decrease in RMB against the relevant foreign currencies including intra-group balances. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number (negative number) below indicates a decrease in post-tax profit (an increase in post-tax profit) where RMB strengthens 5% (2024: 5%) against the relevant foreign currency for the year ended 31 December 2025. For a 5% (2024: 5%) weakening of RMB against the relevant foreign currency for the year ended 31 December 2025, there would be an equal and opposite impact on the post-tax profit.

	2025	2024
	RMB'000	RMB'000
<i>Profit for the year</i>		
HKD	189	(1,865)
USD	4,905	1,836
THB	25	–
EUR	(3)	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity instruments measured at FVTOCI and financial assets at FVTPL. The Group invested in certain unquoted equity instruments for investees operating in relevant industry sector for long term strategic purposes which had been designated as FVTOCI. In addition, the Group invested in certain listed investments which were classified as financial assets at FVTPL. The Group currently does not have a hedging policy in relation to the price risk. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Credit risk and impairment assessment

In order to minimise the credit risk of trade and bills receivables, and bills receivables at FVTOCI, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of these balances individually and/or collectively at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model in accordance with IFRS 9 on trade balances individually or based on provision matrix. For trade and bills receivables, and bills receivables at FVTOCI, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The Group has recognised a reversal of ECL (life-time not credit-impaired) amounting to RMB7,589,000 for the year ended 31 December 2025 (2024: recognised ECL amounting to RMB1,363,000), based on historical credit loss experience adjusted by forward-looking estimates without undue cost or effort. The loss rates ranging from 1% to 66% are applied for the year ended 31 December 2025 (2024: 1% to 61%), to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The credit risk of other receivables and deposits are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group performs impairment assessment under ECL model in accordance with IFRS 9 on these outstanding balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

For other receivables and deposits, the Group measures the loss allowance at 12m ECL, unless when 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 increase in likelihood or risk of a default occurring since initial recognition. Certain other receivables and deposits had significant increase in credit risk since initial recognition. The balances are monitored on an ongoing basis and the Group's exposure to credit risk is not significant since the Group only trades with creditworthy third parties, and the Group does not require any collateral from other debtors.

Where applicable, an impairment analysis on other receivables and deposits is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings, if any. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate ranging from 0% to 100% is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. For the year ended 31 December 2025, the Group recognised a net reversal of expected credit losses amounting to RMB2,307,000 (2024: RMB4,432,000) in respect of other receivables.

The credit risk on liquid funds is low because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC. The management of the Company consider the probability of default is negligible on the basis of high credit-rating issuers during the years ended 31 December 2025 and 2024.

There has been no significant changes to estimation techniques or assumptions made during the years ended 31 December 2025 and 2024.

The concentration of credit risk in respect of trade receivables is minimal, as the Group has a large number of customers. The management of the Company continue to monitor and assess the financial status of the counterparties, and they believe the exposure to credit risk on these balances is not significant as the counterparties are of good financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The management of the Company closely monitor the liquidity position and its compliance with lending covenants and expect to have adequate sources of funding to finance the Group's operations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. For non-derivative financial liabilities and lease liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2025						
Trade and other payables	4,870,357	-	-	-	4,870,357	4,870,357
Bank and other borrowings	2,826,142	1,274,370	1,778,366	613,967	6,492,845	6,253,627
Convertible bonds	2,305	8,144	407,373	-	417,822	354,287
	7,698,804	1,282,514	2,185,739	613,967	11,781,024	11,478,271
Lease liabilities	21,069	7,603	4,777	-	33,449	32,003

	On demand or within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2024						
Trade and other payables	4,586,866	-	-	-	4,586,866	4,586,866
Bank and other borrowings	2,265,772	1,428,840	1,572,666	892,084	6,159,362	5,844,848
Convertible bonds	2,550	4,343	415,517	-	422,410	340,635
	6,855,188	1,433,183	1,988,183	892,084	11,168,638	10,772,349
Lease liabilities	22,264	18,122	7,731	-	48,117	45,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial instruments	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	2025 RMB'000	2024 RMB'000		
Bills receivables at FVTOCI	516,713	356,224	Level 3	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk
Equity instruments designated at FVTOCI – unlisted investments	35,196	35,196	Level 3	Market approach considers comparable company enterprise value and discount for lack of marketability.
Financial assets at FVTPL – listed investments	-	2,471	Level 1	Quoted price of listed investments based on Shanghai Stock Exchange at the end of the reporting period (or the nearest day of trading)

The following table presents the reconciliation of Level 3 measurements of financial assets throughout the year:

	Equity instruments designated at FVTOCI-unlisted investments RMB'000
At 1 January 2024	5,621
Acquisitions of subsidiaries <i>(note 43)</i>	29,575
At 31 December 2024 and 31 December 2025	35,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Except for bills receivables at FVTOCI, equity instruments designated at FVTOCI and financial assets at FVTPL, the management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values at the end of each reporting period.

The fair values of financial assets and financial liabilities (other than bills receivables at FVTOCI, equity instruments designated at FVTOCI, and financial assets at FVTPL) of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value measurement hierarchy of the equity instruments designated at FVTOCI requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement is the discount rate. As at 31 December 2025, it's estimated that with all other variables held constant, a decrease (an increase) in the estimated discount rate by 1% would result in an increase (a decrease) in the fair value of the equity instruments designated at FVTOCI by RMB3,378,133 (RMB3,256,721) (2024: RMB3,495,112 (RMB3,394,712)).

43. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2025

During the year ended 31 December 2025, the Group acquired following subsidiary at a total consideration of approximately RMB Nil. This transaction has been accounted for as business combination using acquisition accounting. Upon completion of the acquisition, the following company became indirect subsidiary of the Company. The principal activities of acquired subsidiary are engaged in the research, development, production, and sales of plastic raw materials and products.

Details of acquisition of a subsidiary are as follows:

Name of subsidiary	Place of incorporation/ registration	Acquisition completed in	Equity interest acquired	Total consideration RMB'000
Huai'an Xinsheng New Material Technology Co., Ltd (淮安信盛新材料科技有限公司)	PRC	Apr 2025	72%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 December 2025 (Continued)

Aggregate fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment (note 15)	40,940
Right-of-use assets (note 16)	10,905
Intangible assets (note 19)	4,024
Inventories	3,714
Trade and bills receivables	1,097
Other receivables, deposits and prepayments	6,122
Trade and other payables	(46,543)
Contract liabilities	(63)
Bank and other borrowings	(19,012)
Deferred tax liabilities	(1,077)
	107
Less: non-controlling interests of the acquired subsidiary	(30)
Fair value of net identifiable assets	77

The fair value of trade and other receivables at the date of acquisition amounted to RMB7,219,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB7,234,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected is RMB7,219,000.

	RMB'000
Cash consideration paid	–
Plus: non-controlling interest	30
Less: fair values of net assets acquired	(107)
Gain on bargain purchase arising on acquisition of subsidiary	(77)

Bargain purchase gains amounting to RMB RMB77,000 on acquisition of Huai'an Xinsheng New Material Technology Co., Ltd, after reassessment, are recognised in profit or loss and included in other income, gains and losses, net line item in the consolidated statement of profit or loss and other comprehensive income. The fair value of net identifiable assets of the acquired company was minimal, and accordingly, the subsidiary was acquired at nil consideration, resulting in a gain on bargain purchase arising on acquisition of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2025 *(Continued)*

The non-controlling interest recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of above acquired subsidiary and amounted to RMB30,000.

	RMB'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	–
Bank balances and cash acquired	–
	–

Included in the Group's profit for the year ended 31 December 2025 was a loss of RMB3,055,000 attributable to the additional business generated by the acquired subsidiary. The Group's revenue for the year ended 31 December 2025 includes RMB2,481,000 generated from the acquired subsidiary.

Had the acquisition been completed on 1 January 2025, the Group's revenue for the year ended 31 December 2025 would have been RMB21,252,472,000, and the Group's profit for the year ended 31 December 2025 would have been RMB820,176,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2025, nor is it intended to be a projection of future results.

For the year ended 31 December 2024

During the year ended 31 December 2024, the Group acquired following subsidiaries at a total consideration of approximately RMB361,816,000. These transactions have been accounted for as business combinations using acquisition accounting. Upon completion of the acquisitions, following companies became indirect subsidiaries of the Company. The principal activities of acquired subsidiaries are engaged in the production of polystyrene and production and sales of ethylene tar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 December 2024 (Continued)

Details of acquisitions of subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Acquisition completed in	Equity interest acquired	Total consideration RMB'000
Hong Kong Petrochemical Company Limited (香港石油化學有限公司)	Hong Kong	July 2024	99.998%	121,680
Gon Chemical (Dongming) Co., Ltd (formerly known as "Citic Guoan Chemical Co., Ltd") (國恩化學(東明)有限公司)	PRC	November 2024	67%	240,000
Gon Polymers GmbH	Germany	August 2024	70%	136
				361,816

Acquisition-related costs were insignificant and have been recognised as an expense for the year ended 31 December 2024 and included in the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Aggregate fair values of assets acquired and liabilities recognised at the dates of acquisitions are as follows:

	RMB'000
Property, plant and equipment (note 15)	1,988,878
Right-of-use assets (note 16)	217,524
Intangible assets (note 19)	194
Equity instruments at FVTOCI	29,575
Deferred tax assets	2,362
Inventories	26,010
Trade and bills receivables	52,409
Other receivables, deposits and prepayments	62,069
Bank balances and cash	3,433
Trade and other payables	(448,371)
Contract liabilities	(72)
Bank and other borrowings	(1,136,523)
Lease liabilities	(14,316)
Deferred tax liabilities	(66,404)
	716,768
Less: non-controlling interests of acquired subsidiaries	(186,722)
Fair value of net identifiable assets	530,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2024 *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to RMB114,478,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB158,624,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected is RMB114,478,000.

	RMB'000
Cash consideration paid	361,816
Plus: non-controlling interest	186,722
Less: fair values of net assets acquired	(716,768)
Gain on bargain purchase arising on acquisitions of subsidiaries	(168,230)

Bargain purchase gains amounting to RMB168,230,000 on acquisition of Hong Kong Petrochemical Company Limited and Gon Chemical (Dongming) Co., Ltd., after reassessment, are recognised in profit or loss within the other income, gains and losses, net line item in the consolidated statement of profit or loss and other comprehensive income. The former shareholder of acquired companies had fallen into financial difficulties due to poor management, intensified market competition and heavy debt pressure and the acquired companies are in the status of bankruptcy liquidation or reorganization, accordingly the acquired companies were sold at a lower price, resulting in gain on bargain purchase arising on acquisitions of subsidiaries.

The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of above acquired subsidiaries and amounted to RMB186,722,000.

	RMB'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	361,816
Bank balances and cash acquired	(3,433)
	358,383

Included in the profit for the year ended 31 December 2024 was a loss of RMB23,897,000 attributable to the additional business generated by the acquired subsidiaries. Revenue for the year ended 31 December 2024 includes RMB31,023,000 generated from the acquired subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2024 *(Continued)*

Had the acquisition been completed on 1 January 2024, the Group's revenue for the year ended 31 December 2024 would have been RMB19,353,394,000, and profit for the year ended 31 December 2024 would have been RMB675,432,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

44. ACQUISITIONS OF ADDITIONAL INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2025

Details of acquisition of additional equity interests in non-wholly owned subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Equity interest held by the Group before acquisition	Equity interest held by the Group after acquisition	Consideration RMB'000
Rizhao Gon Chemical Co., Ltd. (日照國恩化學有限公司)	PRC	80%	90%	12,100
				12,100

These acquisitions have been accounted for as equity transactions and the total difference between the carrying amounts of the attributable non-controlling interests acquired and the consideration paid amounting to RMB1,460,000 had been charged directly in capital reserve for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. ACQUISITIONS OF ADDITIONAL INTERESTS IN SUBSIDIARIES *(Continued)*

For the year ended 31 December 2024

Details of acquisition of additional equity interests in non-wholly owned subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Equity interest held by the Group before acquisition	Equity interest held by the Group after acquisition	Consideration RMB'000
Yiqing Bio-Tech*	PRC	46.07%	21.18%	38,500
Rizhao Gon Chemical Co., Ltd. (日照國恩化學有限公司)	PRC	60%	80%	28,000
Jiangsu Guoheng New Materials Technology Co., Ltd. (江蘇國恒新材料科技有限公司)	PRC	65%	100%	–
Guangdong Gon Plastic Industry Development Co., Ltd. (廣東國恩塑業發展有限公司)	PRC	55%	100%	–
				66,500

* While the Group acquired additional equity interests in Yiqing Bio-Tech, the Company also disposed 33.36% equity interests in Yiqing Bio-Tech to its non-wholly owned subsidiary, Dongbao Bio-Tech. Accordingly, the equity interest held by the Group after acquisition decreased to 21.18% without loss of control over Yiqing Bio-Tech.

These acquisitions have been accounted for as equity transactions and the total difference between the carrying amounts of the attributable non-controlling interests acquired and the consideration paid amounting to RMB11,094,000 had been charged directly in capital reserve for the year ended 31 December 2024.

45. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2025

Details of disposal of a subsidiary are as follows:

Name of subsidiary disposed	Place of incorporation/ registration	The date of disposal	Equity interest before disposal	Equity interest after disposal	Consideration RMB'000
Qingdao Yucheng Construction Engineering Co., Ltd. (青島侯城建築工程有限公司)	PRC	May 2025	100%	–	4,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2025 *(Continued)*

Details of the net assets disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2025 are summarised as follows:

	RMB'000
Inventories	8,750
Trade and bills receivables	7,834
Other receivables, deposits and prepayments	284
Bank balances and cash	3,602
Trade and other payables	(15,203)
Net assets disposed of	5,267

Loss on disposal of a subsidiary:

	RMB'000
Consideration receivable	4,890
Net assets disposed of	(5,267)
Loss on disposal	(377)

Net cash outflow arising on disposal of a subsidiary:

	RMB'000
Consideration	4,890
Less: bank balances and cash of the subsidiary disposed of	(3,602)
Net cash outflow arising on disposal of a subsidiary	1,288

For the year ended 31 December 2024

There was no disposal of a subsidiary during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the year ended 31 December 2025, the Group entered into new lease agreements and recognised right-of-use assets for buildings of approximately RMB22,523,000 (2024: RMB27,986,000), and lease liabilities for buildings of approximately RMB22,523,000 (2024: RMB27,986,000).
- (ii) During the year ended 31 December 2025, the Group early terminated a lease of buildings and derecognised right-of-use assets for buildings of approximately RMB8,699,000 (2024: RMB5,053,000), and lease liabilities for buildings of approximately RMB8,762,000 (2024: RMB5,279,000), and resulted in gain on early termination of lease agreement of approximately RMB:63,000 (2024: RMB226,000).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Interest Payable RMB'000	Total RMB'000
At 1 January 2024	3,716,496	327,018	25,606	6,250	4,075,370
Cash flows from (used in) financing activities	993,405	–	(18,739)	(149,882)	824,784
Finance cost for the period	–	13,642	1,760	149,193	164,595
Acquisitions of subsidiaries (note 43)	1,136,523	–	14,316	–	1,150,839
Non-cash changes	(1,576)	(25)	22,707	–	21,106
At 31 December 2024	5,844,848	340,635	45,650	5,561	6,236,694
Cash flows from (used in) financing activities	390,372	–	(24,878)	(187,629)	177,865
Finance cost for the period	–	13,658	1,582	190,067	205,307
Acquisitions of subsidiaries (note 43)	19,012	–	–	–	19,012
Non-cash changes	(605)	(6)	9,649	–	9,038
At 31 December 2025	6,253,627	354,287	32,003	7,999	6,647,916

(c) Total cash outflow for leases:

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	2,249	1,001
Within financing activities	24,878	18,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. CONTINGENT LIABILITIES

At 31 December 2025 and 2024, the Group did not have any significant contingent liabilities.

48. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in notes 15, 16, 26 and 33 to the consolidated financial statements.

49. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The properties held by the Group for rental purpose have committed tenants for periods ranging from five years to seven years as at 31 December 2025 and 2024.

Minimum lease payments receivable under operating leases are as follows:

	2025	2024
	RMB'000	RMB'000
Within one year	400	500
In the second year	400	500
In the third year	400	500
In the fourth year	400	500
In the fifth year	-	500
	1,600	2,500

50. RETIREMENT BENEFITS PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme and the same amount is matched by employees.

The Group recognised retirement benefit contributions of RMB70,579,000 (2024: RMB61,362,000) for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of entity	Relationship
Mr. Wang Aiguo and Ms. Xu Bo and Xinghao Investment	Controlling shareholders of the Group
Tongliao Mengbao Biotechnology Co., Ltd ("Tongliao Mengbao")	Associate of the Group
Zhejiang Dongbao Yicheng Technology Co., Ltd ("Zhejiang Dongbao") (浙江東寶藝澄科技有限公司)	Associate of the Group
Qingdao Hanfang Pharmaceutical Co., Ltd ("Qingdao Hanfang") (青島漢方藥業有限公司)	A company of which a director of the Company is a shareholder

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

Related party	Nature of transaction	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Tongliao Mengbao	Purchases of raw materials	5,992	3,193
Qingdao Hanfang	Rental expenses	431	432

(b) The remuneration of key management personnel was as follows:

	2025 RMB'000	2024 RMB'000
Short-term benefits	11,691	11,745
Retirement benefit scheme contributions	600	624
	12,291	12,369

The remuneration of directors and chief executive is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group as at 31 December 2025 and 2024 that have material non-controlling interests:

Name of subsidiary	Place establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expenses) allocated to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December		Year ended 31 December		As at 31 December	
		2025	2024	2025	2024	2025	2024
				RMB'000	RMB'000	RMB'000	RMB'000
Dongbao Bio-Tech	the PRC	78.82%	78.82%	(24,522)	39,803	1,551,740	1,639,439
Gon Chemical (Dongming) Co., Ltd.	the PRC	33.00%	33.00%	(21,101)	(3,834)	160,611	181,054
Other subsidiaries with non-controlling interests				30,435	(615)	265,769	247,713
				(15,188)	35,354	1,978,120	2,068,206

The summarised financial information in respect of non-wholly owned subsidiaries of the Group that has material non-controlling interests is set out below. The summarised financial information/consolidated financial information below represents amounts before intergroup eliminations.

Dongbao Bio-Tech

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-current assets	1,631,251	1,748,387
Current assets	1,079,965	1,074,483
Current liabilities	185,192	231,120
Non-current liabilities	557,310	511,771
Equity attributable to the owners of the Company	416,974	440,540
Equity attributable to the NCI of Dongbao Bio-Tech	1,551,740	1,639,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Dongbao Bio-Tech *(Continued)*

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Revenue	414,963	521,993
Expenses	(446,074)	(471,494)
Profit and total comprehensive income for the year	(31,111)	50,499
Profit and total comprehensive income attributable to owners of the Company	(6,589)	10,696
Profit and total comprehensive income attributable to the NCI of Dongbao Bio-Tech	(24,522)	39,803
Net cash inflow from operating activities	35,956	31,079
Net cash outflow from investing activities	(41,170)	(241,393)
Net cash outflow from financing activities	(28,708)	(16,210)
Net cash outflow	(33,922)	(226,524)

Gon Chemical (Dongming)

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-current assets	2,070,404	2,082,011
Current assets	397,267	146,460
Current liabilities	1,007,910	558,717
Non-current liabilities	973,060	1,121,105
Equity attributable to the owners of the Company	326,090	367,595
Equity attributable to the NCI of Gon Chemical (Dongming)	160,611	181,054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Gon Chemical (Dongming) *(Continued)*

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue	329,466	12,913
Expenses	(393,409)	(24,532)
Loss and total comprehensive expenses for the year	(63,943)	(11,619)
Loss and total comprehensive expenses attributable to owners of the Company	(42,842)	(7,785)
Loss and total comprehensive expenses attributable to the NCI of Gon Chemical (Dongming)	(21,101)	(3,834)
Net cash (outflow) inflow from operating activities	(128,700)	8,824
Net cash outflow from investing activities	(81,148)	(5,391)
Net cash inflow from financing activities	221,274	–
Net cash inflow	11,426	3,433

53. COMMITMENTS

The Group had the following contracted commitments as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	492,082	733,752

54. SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, the Company successfully completed the issuance and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited on 4 February 2026.

Except for the event mentioned above, no other significant events that require additional disclosure or adjustments occurred after 31 December 2025.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and is/are listed for trading on the Shenzhen Stock Exchange
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Board Committees”	the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, excluding Taiwan, the Macau Special Administrative Region and Hong Kong
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company” or “our Company”	Qingdao Gon Technology Co., Ltd. (青島國恩科技股份有限公司), a limited liability company incorporated in the PRC on 22 December 2000, and converted into a joint stock company with limited liability on 3 August 2011, its A shares are listed on the Shenzhen Stock Exchange (stock code: 002768.SZ), and its H shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 2768.HK)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Dongbao Bio-Tech”	Baotou Dongbao Bio-Tech Co., Ltd. (包頭東寶生物技術股份有限公司), a company established in the PRC with limited liability on 12 March 1997, the A Shares of which are listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300239.SZ), and a non-wholly owned subsidiary of our Company
“Global Offering”	has the same meaning as defined in the Prospectus
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries
“Gon Chemical (Dongming)”	Gon Chemical (Dongming) Co., Ltd.* (國恩化學(東明)有限公司), a company established in the PRC with limited liability on 15 September 2010, and an indirect non-wholly owned subsidiary of our Company
“Gon Polymer.1”	Gon Polymer.1 (Zhejiang) New Material Technology Co., Ltd. (國恩一塑(浙江)新材料科技有限公司), a company established in the PRC with limited liability on 10 July 2020, and a non-wholly owned subsidiary of our Company
“Gon Composites”	Qingdao Gon Composites Co., Ltd. (青島國恩複合材料有限公司), a company established in the PRC with limited liability on 20 January 2017, and a wholly-owned subsidiary of the Company
“Gocci Opto-electronics”	Qingdao Gocci Opto-electronics Technology Co., Ltd. (青島國騏光電科技有限公司), a company established in the PRC with limited liability on 25 April 2018, and a wholly-owned subsidiary of the Company
“Guangdong Gon Plastics”	Guangdong Gon Plastic Industry Development Co., Ltd. (廣東國恩塑業發展有限公司), a company established in the PRC with limited liability on 16 January 2018, and a wholly-owned subsidiary of the Company
“Gon Plastics (Zhejiang)”	Gon Plastics Products (Zhejiang) Co., Ltd. (國恩塑業(浙江)有限公司), a company established in the PRC with limited liability on 25 May 2021, and a wholly-owned subsidiary of the Company
“Gon Plastics (Qingdao)”	Gon Plastics Products (Qingdao) Co., Ltd. (國恩塑業(青島)有限公司), a company established in the PRC with limited liability on 30 September 2021, and a wholly-owned subsidiary of the Company
“H Share(s)”	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are listed and trading on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Petrochemical”	Hong Kong Petrochemical Company Limited (香港石油化學有限公司) (formerly known as FRANIA LIMITED), a company established in Hong Kong with limited liability on 26 August 1988, and an indirect non-wholly owned subsidiary of our Company
“Independent Third Party(ies)”	an individual(s) or a company(ies), who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
“Jiangsu Guoheng”	Jiangsu Guoheng New Materials Technology Co., Ltd. (江蘇國恒新材料科技有限公司), a company established in the PRC with limited liability on 5 July 2022, and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 April 2026
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	4 February 2026, the date on which dealings in the H Shares on the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus of the Company dated 27 January 2026
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the year ended 31 December 2025
“Rizhao Gon Chemical”	Rizhao Gon Chemical Co., Ltd. (日照國恩化學有限公司), a company established in the PRC with limited liability on 5 July 2022, and an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, comprising all A Shares and H Shares in issue
“Shareholder(s)”	holder(s) of the Share(s)
“SZSE”	the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	Strategy Committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“treasury shares”	has the meaning ascribed to it under the Listing Rules
“Yiqing Bio-Tech”	Qingdao Yiqing Biotechnology Co., Ltd (青島益青生物科技股份有限公司), a company established in the PRC with limited liability on 24 January 1998, and an indirect non-wholly owned subsidiary of our Company

- * The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2025	2024	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	21,251,231	19,187,511	17,438,779	13,406,440
Profit before tax	961,032	797,075	577,933	785,218
Income tax expenses	(124,230)	(76,489)	(38,323)	(60,858)
Profit for the year	836,802	720,586	539,610	724,360
Profit attributable to owners of the Company	851,994	685,232	471,478	663,412

ASSETS AND LIABILITIES

	As at 31 December			
	2025	2024	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	7,529,339	7,337,844	4,754,655	4,324,902
Current assets	12,258,513	11,013,604	10,298,550	8,435,950
Total assets	19,787,852	18,351,448	15,053,205	12,760,852
Equity and liabilities				
Total equity	7,700,338	7,032,329	6,379,967	5,900,850
Non-current liabilities	3,686,826	3,863,544	1,982,994	1,598,507
Current liabilities	8,400,688	7,455,575	6,690,244	5,261,495
Total liabilities	12,087,514	11,319,119	8,673,238	6,860,002
Total equity and liabilities	19,787,852	18,351,448	15,053,205	12,760,852