



百宏實業控股有限公司

BILLION INDUSTRIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2299

2025

ANNUAL REPORT

CONTENTS

Contents	1
Company Profile	2
Billion's Journey	4
Corporate Information	7
Financial Highlights	8
Company Structure	9
Chairman's Statement	10
Production Sites	14
Production Processes of Polyester Filament Yarns & Polyester Thin Films	16
Management Discussion and Analysis	17
Corporate Governance Report	42
Directors and Senior Management	56
Report of the Directors	61
Independent Auditor's Report	78
Consolidated Income Statement	83
Consolidated Statement of Comprehensive Income	84
Consolidated Statement of Financial Position	85
Consolidated Statement of Changes in Equity	87
Consolidated Cash Flow Statement	88
Notes to the Consolidated Financial Statements	89
Financial Summary	168

Company Profile



Billion Industrial Holdings Limited (the “**Company**” or “**Billion**”, together with its subsidiaries, the “**Group**”), is one of the largest developers and manufacturers of polyester filament yarns in the People’s Republic of China (the “**PRC**”). The polyester filament yarns products of the Group are positioned at middle and high-end markets in China and overseas, its main products are drawn textured yarns (“**DTY**”), fully drawn yarns (“**FDY**”), and partially oriented yarns (“**POY**”), a majority of which have special physical features and functionalities such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial. These products are widely used in the production of high-end fabrics and textiles for various consumer products, including apparel, footwear and home furnishings. Billion was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 May 2011.

As at 31 December 2025, the Group’s designed capacity of polyester filament yarns in China was 2,726,400 tons, of which the designed capacity of FDY and POY was 1,005,000 tons per year, while that of DTY was 711,400 tons per year. The combined designed capacity for DTY, FDY and POY was 1,716,400 tons per year, which made it the largest differentiated chemical fiber production base in Fujian Province.

As at 31 December 2025, the Group’s designed capacity for polyester products in China was 910,000 tons per year, of which, the designed capacity of biaxially-oriented polyethylene terephthalate (“**BOPET**”) thin films was 702,500 tons per year, and the Group was a large enterprise in manufacturing polyester thin films in China. The Group introduced the production lines and research and development equipment with advanced international standards for BOPET thin films from Dornier in Germany, for which the products are positioned at the high-end functional polyester thin films market in the PRC applying in the segments including soft packaging, composite printing, electronic appliances, garments, safety and energy saving. The purification workshop management is implemented for the production workshops, meeting the stringent environmental requirements for producing different thin films. Also, the Group is vigorously developing new environmentally friendly polyester thin film products which can be applied in various segments.

In order to further expand overseas markets, the Group has established Billion Industrial (Viet Nam) Co., Ltd. (“**Billion Vietnam**”) in Vietnam, so as to develop the overseas polyester bottle chip business. We also set up the polyester filament yarns production facility and the polyester, POY and FDY production facilities in Vietnam. As of 31 December 2025, the designed capacity of Billion Vietnam of polyester filament yarns was 554,300 tons per year, of which, the designed capacity of FDY and POY was 184,000 tons per year, and that of DTY was 170,300 tons per year. The combined designed capacity for DTY,

Company Profile



FDY and POY was 354,300 tons per year. The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The designed annual production capacity is about 300,000 tons. It has been put into commercial production in July 2023. The designed capacity for polyester bottle chip was 550,000 tons per year, marking a milestone during the Group's journey in exploring the emerging markets.

The consumption of the polyester industrial yarns in the PRC has been increasing in recent years, and the expansion of the polyester industrial yarns market in Eastern China has been accelerating in particular, the Group invested approximately US\$185 million to set up a production line for polyester industrial yarns products to expand this business. The new manufacturing facilities have a total production capacity of approximately 250,000 tons per year, and have commercial production since 17 July 2020.

In recent years, the consumption of polyester thin films in China has been increasing. As a large polyester thin film manufacturer in China, by expanding the existing polyester thin film business, the Company will be able to enjoy the growth of this market by leveraging its existing scale and expertise in the manufacturing of polyester thin films. In this regard, the production line for polyester thin films established by the Group with a planned investment of US\$320 million over a period of four years from 2020 to 2023 has been put into full commercial production in November 2023. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 tons per year.

In addition, in view of the global development trend of synthetic fibers, by expanding the polyamide (commonly known as: nylon) business, the Company can seize the growth opportunities in this market, increase the variety and capacity of the Group's existing production projects, and strengthen the Group's market position as one of the large-scale manufacturers in the PRC. We expect to invest approximately RMB2,395,730,000 during the three-year period from 2025 to 2027, and we estimate the total production capacity of the new facilities upon completion will be approximately 120,000 tons per annum, with gradual commencement of commercial production starting from 2026. Synthetic fibers have become one of the most widely used outdoor fabrics due to its superior characteristics, and it is estimated that the scale of the sports outdoor market in China will be close to RMB600 billion.

Billion's Journey

2003	Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) ("Billion Fujian") was established in the People's Republic of China (the "PRC") by Billion Wise Industrial Limited ("Billion H.K.") as a wholly foreign-owned enterprise
2005	- Commencement of commercial production of polyester filament yarns in Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, the PRC - First production line of polyester filament yarns with designed capacity of approximately 200,000 tons per annum commenced production
2008	Second production line of polyester filament yarns with designed capacity of approximately 260,000 tons per annum commenced production
2011	- Successfully listed on the Main Board of the Stock Exchange (Stock code: 2299) on 18 May 2011 - Continued the expansion of the new production site in Jinnan Industrial Zone, Jinjiang City. The new production site commenced production in November 2011, and had reached full production operation by the end of 2013 - Establishment of Fujian Billion High-tech Material Industry Co., Ltd.* (福建百宏高新材料實業有限公司) ("Billion High-tech") to develop new polyester thin film business. In November 2011, the Company announced further investment of RMB1.587 billion in polyester thin film business, and the investment in polyester thin film business reached RMB1.937 billion - Awarded as a "State-Accredited Enterprise Technology Centre"
2012	- CECEP Chongqing Industry Co., Ltd.* (重慶中節能實業有限責任公司) ("CECEP Chongqing"), a subsidiary of China Energy Conservation and Environmental Protection Group* (中國節能環保集團公司) ("CECEP"), became the single largest shareholder of the Company in September 2012 - Completion of phase I of polyester thin film plant, with designed capacity of 36,500 tons per annum - Commenced sales of polyester thin film products
2013	- Commenced construction of the second to fifth production lines of polyester thin film business - Billion Fujian was awarded as one of the "China's Top 500 Private Enterprises in the Manufacturing Sector"
2014	- Billion Fujian was enlisted in the "2014 China Brand Value Evaluation" - Billion Fujian was recognised as a "Key High-Tech Enterprise of the State Torch Program"
2015	- Billion Fujian was recognised as a "China Integrated Management System Standards Assessment Pilot Enterprise for the Integration of Informatisation and Industrialisation" - Billion Fujian was awarded "Top Ten Export Brand of Quanzhou New 'Ocean Silk Road' " - Billion Fujian was awarded "Quanzhou Intelligent Manufacturing Demonstration – Intelligent Plant" - Billion Fujian was recognised as a "Fujian Province Intelligent Manufacturing Pilot and Demonstration Enterprise"

Billion's Journey

2016	• Billion Fujian was recognised as a "2016 National Technology Innovation Demonstration Enterprise" • Billion Fujian was awarded "Advanced Group in National Textile Industry" • The production expansion plan for polyester thin films was completed in full with the designed capacity of 255,000 tons per annum
2017	• Established Billion Vietnam to expand the overseas polyester bottle chip business with an annual production capacity of 250,000 tons, a polyester filament yarns production facility with an annual production capacity of 165,000 tons, and the polyester, POY and FDY production facilities with an annual production capacity of 220,000 tons. Total investment amounted to approximately US\$220 million • Expanded the new factory site in Jinnan Industrial Zone, Jinjiang City. The expansion plan of polyester filament yarns at the new factory site was to invest approximately US\$222 million with an annual production capacity of approximately 220,000 tons. The new manufacturing facility has gradually put into commercial production since December 2017 • Billion Fujian was awarded as one of the "2017 China's Top 500 Private Enterprises in the Manufacturing Sector" • Billion Fujian was awarded "National 'Quality Benchmarking'" • Awarded as a "2017 State-Accredited Enterprise Technology Centre" • The project of Billion Vietnam was listed in the "2017 Sino-Vietnam Production Capacity Cooperation Projects", and was ranked No. 1
2018	• The new factory site in Jinnan Industrial Zone had polyester facilities with an annual production capacity of 220,000 tons, and has formally put into production since 30 September 2018. The polyester facilities comprised 10 spinning POY production lines and 2 FDY production lines, 124 DTY texturing machines as well as intelligent spinning production equipment and intelligent logistics systems • Expanded the polyester industrial yarns products business and invested approximately US\$185 million to set up a production line for polyester industrial yarns products. The designed total production capacity will be approximately 250,000 tons per annum. It is expected that the new manufacturing facilities will gradually commence commercial production in the second quarter of 2020 • Awarded the "Promising Corporate" of the "2017 Top 100 Hong Kong Listed Companies" • Billion Fujian was enlisted the "2018 China Brand Value Award" • Billion Fujian was awarded the Fifth "China's Top Ten Textile Science and Technology Award • New Technology Award" • Billion Fujian became as one of the first batch of manufacturing enterprises granted the "AEO Advanced Certification" • Billion Fujian and Billion High-tech were listed as "2018 Provincial Leading Enterprises in Industrial and Informatisation Sectors in Fujian Province" • Billion Fujian was again recognised as a "National Technology Innovation Demonstration Enterprise" • Billion Fujian was listed in the "2018 Top 100 Enterprises in Fujian Province"

Billion's Journey

2019	- Billion Vietnam commenced production officially - A new production line of polyester thin films is expected to be materialized during 2019 to 2021 with the investment amounting to approximately US\$230 million and the estimated annual capacity of 255,000 tons - Billion Fujian was enlisted in "Top 100 Private Enterprises in Fujian Province" - Billion Fujian was enlisted in "China's Top 500 Private Enterprises in the Manufacturing Sector" - Billion Fujian was enlisted in the "2019 Top 100 Enterprises in Fujian Province" and "2019 Top 100 Enterprises in the Manufacturing Sector in Fujian Province"
2020	- The second project of phase I project in Billion Vietnam "polyester bottle chip project with an annual production capacity of 250,000 tons" was formally put into production in May - F zone in Billion Fujian had the polyester industrial yarns project with an annual production capacity of 250,000 tons, and was formally put into production in July - G zone in Billion High-tech had functional environment-friendly polyester thin film project with an estimated annual production capacity of 255,000 tons, of which two production lines, mainly focusing on the production of polyester thin films with annual production capacity of 70,000 tons, was formally put into production in December - Billion Fujian was enlisted in the "2020 Top 500 Enterprise Charity in China (2020中國企業慈善公益500強)" and "2020 China Brand Value Award (2020中國品牌價值榜)" - Billion Fujian was listed in the "2020 Top 500 Manufacturers in China (2020中國製造企業500強)" and "2020 Top 500 Enterprises in China (2020中國民營企業500強)"
2021	- Billion's ES fiber successfully developed 1.2D extreme fine and short fiber of which the major features are tenderness, softness, fineness and delicacy. It can perfectly play the role of cotton - Billion Polymerization Fiber Company with the brand value of RMB3.867 billion again appeared on the list - The 6 production lines of polyester thin film with annual capacity of 255,000 tons in G zone in Billion High-tech have been entirely put into production, and the designed capacity of the 13 production lines that have been put into production in D and G zone is of 500,000 tons per annum. We will further expand the 330,000 tons functional polyester thin films projects of H zone - Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd. was the sole enterprise recognised as the "Smart Manufacturing Benchmarking Enterprises" - Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd. was awarded the "National 1st May Labor Award"
2022	- Billion Fujian was recognised as "the Vice President Unit of Fujian Textile Engineering Society" - Billion Fujian was included in the 2022 Outstanding Scenario of Intelligent Manufacturing - Billion Fujian was awarded the 2022 Top 100 Manufacturing Enterprises in Fujian - Billion Fujian won the first prize in the Competition of Minor Innovations in "Five Fronts" in Fujian for millions of workers
2023	- Fujian Billion Polymerization Fiber was awarded Fujian Top 100 Brand Value in the first session - The BOPET biaxially stretched polyester thin film manufactured by Baihong High-tech was selected as one of the champion products in the sixth batch of champion single product of provincial manufacturing industry
2024	Listed as one of the "Leading Manufacturing Enterprises in Fujian Province"
2025	- Billion Fujian was awarded "National Green Factory" - Billion Fujian was awarded "National Excellence-level Smart Factory"

Corporate Information

Board of Directors

Executive Directors

Mr. Sze Tin Yau (*Co-chairman*)
Mr. Wu Jinbiao
(*Chief executive officer*)
Ms. Shi Haiyan (*retired on 23 May 2025 and appointed with effect from 30 June 2025*)

Non-executive Director

Mr. Zhang Shengbai
(*Co-chairman*)

Independent Non-executive Directors

Mr. Yu Wai Ming (*appointed as lead independent non-executive director with effect from 24 March 2025*)
Mr. Shih Chun Pi
Mr. Lin Jian Ming

Board Committees

Audit Committee

Mr. Yu Wai Ming (*Chairman*)
Mr. Shih Chun Pi
Mr. Lin Jian Ming

Remuneration Committee

Mr. Yu Wai Ming (*Chairman*)
Mr. Sze Tin Yau
Mr. Lin Jian Ming

Nomination Committee

Mr. Sze Tin Yau (*Chairman*)
Mr. Yu Wai Ming
Mr. Shih Chun Pi
Ms. Shi Haiyan (*appointed with effect from 24 March 2025, retired on 23 May 2025 and appointed with effect from 30 June 2025*)
Mr. Lin Jian Ming (*appointed with effect from 24 March 2025*)

Corporate Governance Committee

Mr. Sze Tin Yau (*Chairman*)
Mr. Wu Jinbiao

Company Secretary

Mr. Law Hoi Ching

Authorised Representatives

Mr. Sze Tin Yau
Mr. Law Hoi Ching

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Hong Kong:

Unit 1501, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

PRC:

Fenglin Industrial Zone
Longhu Town
Jinjiang City
Fujian
PRC

Vietnam:

Lot 43-16, Road N14,
Phuoc Dong Industrial Park,
Go Dau District
Tay Ninh Province,
Vietnam

Legal Advisers

Morgan, Lewis & Bockius

Auditors

Forvis Mazars CPA Limited
Certified Public Accountants,
Hong Kong
Public Interest Entity Auditor,
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

China Construction Bank
Corporation
Industrial Bank Co., Ltd.
Agricultural Bank of China
Holdings Limited

Company Website

www.baihong.com

Stock Code

2299

Financial Highlights

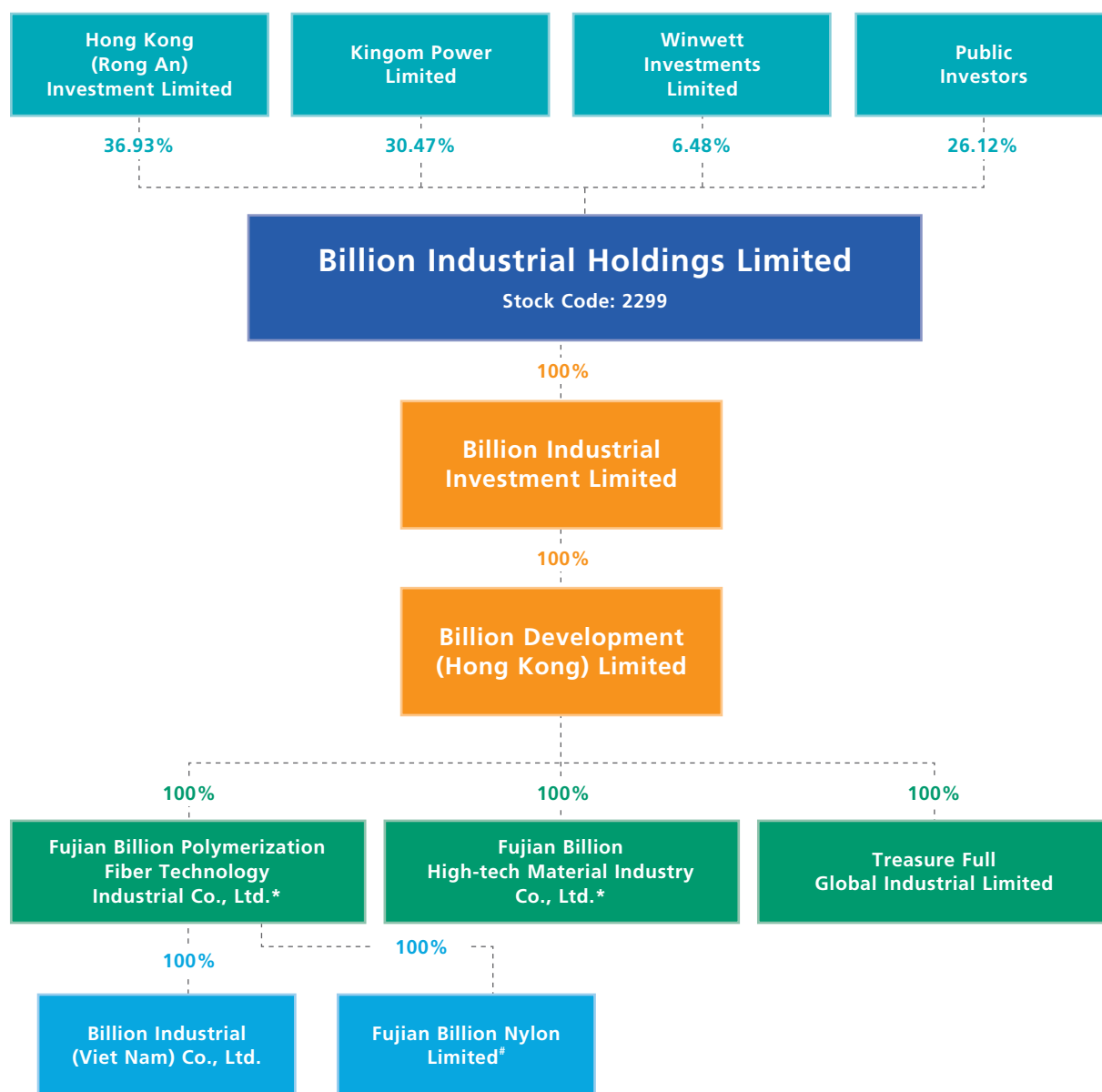
	For the year ended 31 December		
	2025	2024	Change
	RMB'000	RMB'000	
Operational Results			
Revenue	18,049,176	20,631,678	(12.5%)
Gross profit	1,436,435	1,572,346	(8.6%)
Profit from operations	820,779	971,087	(15.5%)
Profit for the year	643,196	747,901	(14.0%)
As at 31 December			
	2025	2024	Change
	RMB'000	RMB'000	
Financial Position			
Non-current assets	12,596,561	12,309,993	2.3%
Non-current liabilities	248,898	497,647	(50.0%)
Current assets	13,044,584	15,904,789	(18.0%)
Current liabilities	13,889,453	16,727,542	(17.0%)
Net current liabilities	844,869	822,753	2.7%
Total equity	11,502,794	10,989,593	4.7%
Earnings per Share (RMB)	0.30	0.35	
Interim dividend (HK cents)	–	–	
Final dividend (HK cents) (Note 1)	10.00	–	
Key Ratio Analysis			
Gross profit margin	8.0%	7.6%	
Operating profit margin	4.5%	4.7%	
Net profit margin	3.6%	3.6%	
Returns on equity (Note 2)	5.6%	6.8%	
Current ratio (Note 3)	93.9%	95.1%	
Gearing ratio (Note 4)	122.9%	156.7%	

Notes:

- 1: The final dividend of HK\$10.0 cents per share in cash will be paid on or around 9 June 2026
- 2: Returns on equity: Profit for the year divided by total equity
- 3: Current ratio: Current assets divided by current liabilities
- 4: Gearing ratio: Total liabilities divided by total equity

Company Structure

As at 31 December 2025



Note: Billion Industrial Holdings Limited
 Billion Industrial Investment Limited
 Billion Development (Hong Kong) Limited
 Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.*
 Fujian Billion High-tech Material Industry Co., Ltd.*
 Treasure Full Global Industrial Limited
 Billion Industrial (Viet Nam) Co., Ltd.
 Fujian Billion Nylon Limited#*

* For identification purposes only
 # Established 21 January 2025

Place of incorporation	Place of operation
: Cayman Islands	Hong Kong
: British Virgin Islands	Hong Kong
: Hong Kong	Hong Kong
: PRC	Fujian, PRC
: PRC	Fujian, PRC
: British Virgin Islands	Hong Kong
: Vietnam	Vietnam
: PRC	Fujian, PRC

Chairman's Statement



By adhering to the vision of “aspiring to be the world’s premier supplier of consumer product materials, providing eco-friendly products for the public”, the Group implemented the operation philosophy of “creating green products” and continued to enhance the development of differentiated chemical fiber and functional environmentally friendly polyester thin film products.

Sze Tin Yau
Co-chairman of the Board

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present the results of the Group for the year ended 31 December 2025.

The textile industry is a traditional pillar industry of China’s national economy and an important industry for people’s livelihood, and also an industry in which China has clear competitive advantages in the world. In 2020, COVID-19 epidemic (“**epidemic**”) caused economic losses to textile enterprise in domestic sales and loss of foreign trade orders. However, since the second quarter of 2020, amid the resumption of economic and life activities in an orderly manner, increasingly buoyant consumption activities of residents, positive support of the state’s various policies aimed at boosting consumption, sales in domestic market of textile industry improved quarter by quarter. With the gradual rebound of demands both in the domestic and foreign markets, and the state’s sizable tax cut and fee reduction measures and policies designed to provide relief for businesses taking effect, the economic performance of textile enterprises showed a trend of stable recovery and quarter-on-quarter improvement after a sharp decline in early 2020. The advantages of China’s textile industry, such as concentrated industrial chain and abundant upstream and downstream supporting facilities, have become important driving forces to promote the growth of national trade in goods, and also fostering steady development in the demand for polyester filament. According to the data from the National Bureau of Statistics of China, for the twelve months ended 31 December 2025, the total operating revenue and profit of the industrial enterprises of larger scale in the textile industry are approximately RMB2.2 trillion and RMB73.8 billion respectively.

In 2025, the textile industry still faced a complex and volatile development situation. The global epidemic is over, but risk factors such as the rising risks in trade and geopolitical environment conditions still exist. The stable domestic demand and upgrading of consumption have been the strongest impetus to the development of China’s textile industry. Specifically, the textile consumption has been boosted by the benefits brought by China’s development and reform, such as income growth of urban and rural residents, development of new form of urbanization and the full implementation of the three-child policy. The in-depth application of information technology in the design, production, marketing, logistics and other sections of the textile industry will promote the production model to transform into one of flexibility, intelligence, and refinement. As the Group has long been aware of the opportunities in this regard, we

Chairman's Statement

are committed to the goal of “technology innovation and improving competitive strength”, focus on and persist in pursuing the new technological innovation road with the combination of “Production, Learning, Research and Application”. We are the first enterprise in the industry to achieve the whole-process intelligent automatic production. The Group leverages on the digitalization, networking and modularization of automatic equipment to keep on improving its products’ quality and production volume. The capability of maintaining operation benefits from the automation proves our forward-looking decision made years ago to carry out intelligent transformation, and also reinforces the Group’s determination towards further intelligent upgrade.

As one of the leading chemical fiber producers in China, the Group is primarily engaged in the research and development, production and sale of new polyester materials, civil silk, industrial yarn, polyester film, polyester bottle chips and ES fiber. Featuring special physical properties and functionalities, such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial, these products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Company has become the largest polyester production base in South China.

The Company attaches great importance to the construction of green factories, focusing on energy conservation, emission reduction and environmental protection. It always adheres to the simultaneous implementation of source control and end treatment, and has achieved certain results in aspects such as green management, energy conservation and low-carbon initiatives, environmental protection and green technological innovation. We emphasize greening and beautification to build garden-style factories and establish green factories through green ecology. We are committed to maintaining extensive greenery throughout our factory site and, within our means, proactively assist in caring for surrounding trees outside our factory site. This truly enables the Company to achieve the vision of “views of greenery from windows, gardens from doorways, and shade along pathways”, delivering a green response for “carbon neutrality” through practical actions. The Company has dedicated personnel to manage its greening and landscaping, and has formulated rules and regulations regarding enterprise greening. This provides workers with a pleasant and elegant environment, while also helping to reduce the impact of workshop noise and exhaust gas on the surroundings. As a result, the Company was awarded the title of “National Green Factory” for 2025.

Chairman's Statement

In addition, through years of dedicated effort, the Group has established a nationally leading smart factory for the melt direct spinning of polyester industrial yarn. The smart factory features with production process simulation and optimization; model-based advanced control of production stages such as spinning; smart online quality inspection; smart logistics and warehousing; factory interconnection network architecture and information models; automatic collection and visualization of production process data; integration of on-site data with production management systems; and dynamic cost and quality tracking systems. It has achieved the intelligent optimization of the enterprise's operations, management and decision-making, and satisfies the intelligent requirements for all stages of polyester industrial yarn product design, processing, manufacturing, testing and logistics in fields like automotive safety, marine engineering and oil exploration, and overcomes the shortcomings in online product quality inspection. As a result, the Group has enhanced the processing system for functional and differentiated products, while improving labor productivity, product quality, new product R&D capabilities, and energy utilization efficiency.

Through the implementation of the project, customized and large-scale replication can be carried out in domestic chemical fiber enterprises, especially those producing polyester filament through melt direct spinning. The achievements of the automated storage and retrieval system have been applied and promoted within domestic chemical fiber enterprises, exerting a leading and exemplary effect on enhancing the intelligence level of the industry as a whole. The new intelligent manufacturing model for polyester filament through melt direct spinning, which can be promoted and applied within the industry, has played a crucial role in driving the industry's transformation and upgrading, and has a certain degree of influence and driving effect on the entire industry. It is of significant demonstrative importance for enhancing the level of intelligent chemical fiber production in China. Accordingly, the Group was selected by the Ministry of Industry and Information Technology as a National Excellence-level Smart Factory for 2025.

Leveraging the polyester industrial yarns production process simulation system, the Group achieved the simulation and optimization of the entire production process of melt conveying, high pressure spinning, cooling and formation as well as drawing and coiling.

A brand, the intangible assets carrying economic value, bears the judgements and perceptions of people in respect of an enterprise and its products, its after-sales services and cultural value. The increasing brand value of an enterprise indicates that the recognition and loyalty of customers are constantly enhanced, which helps strengthen market competitiveness of the enterprise, so as to convert such intangible assets to real economic benefits. The brand value is the most significant intangible asset that indicates the overall comprehensive value of the enterprise. The steady growth of the Company's brand value gives strong supports to the high-quality development of the Company. These achievements propelled the Group to develop differentiated chemical fiber and functional environmentally friendly polyester thin film products by leveraging on our technical expertise with dedication and devotion, honesty, trustworthiness, modesty and diligence. During the year under review, the launch of new products, namely polyester industrial yarns and ES fibers, and the "700,000-ton differentiated chemical fiber project" in Billion Vietnam, signaled the Group's exploration of new businesses and emerging markets. We will keep a pure heart in the long-term, and therefore attach greater importance to seize every opportunity to learn and make progress in a modest manner. We, during the year under review, had better understanding of the direction of customer flow, information flow and capital flow in the industry by participating in various exhibitions. In these exhibitions, our polyester industrial yarns products were showcased to the exhibitors, for the purpose of presenting our enterprise image and promoting the sales of polyester industrial yarns products, and obtaining better knowledge of exhibitors' demands for the prices, functions and services of polyester industrial yarns so as to prepare for our subsequent investigation of demand for our sales business. In addition, we also learnt about the models and their physical properties of our fellow competitors through the exhibitions so that the Group can seize the market shares promptly in the sales of polyester industrial yarns in the future.

Chairman's Statement

By adhering to the vision of “aspiring to be the world’s premier supplier of consumer product materials, providing eco-friendly products for the public”, the Group implemented the operation philosophy of “creating green products” and continued to enhance the development of differentiated chemical fiber and functional environmentally friendly polyester thin film products. We have always paid attention to upstream resources, tracked and kept technologies for upstream raw materials, such as renewable materials, biodegradable materials, bio-based materials, as well as raising the proportion of recyclable products.

China has become an important production base for polyester thin films products in the world, and consumption of polyester thin films has been increasing in China in recent years. In recent years, polyester thin film industry in China has been growing rapidly. The enterprises in the industry have accelerated the R&D and innovation of high-end products and optimization of product mix. While expanding our business, we have further enhanced our independent innovation capabilities and product quality, and focus more on environmental protection, safety, ecological sustainability, and sustainable development. Taking into account the steady growth in the sales volume of the Group’s polyester thin film products, by expanding the existing polyester thin film business, the Group will be able to enjoy the growth of this market by leveraging its existing scale and expertise in the manufacturing of polyester thin films. In addition, in view of the global development trend of synthetic fibers, by expanding the polyamide (commonly known as: nylon) business, the Company can seize the growth opportunities in this market, increase the variety and capacity of the Group’s existing production projects, and strengthen the Group’s market position as one of the large-scale manufacturers in the PRC. We expect to invest approximately RMB2,395,730,000 during the three-year period from 2025 to 2027, and we estimate the total production capacity of the new facilities upon completion will be approximately 120,000 tons per annum, with gradual commencement of commercial production starting from 2026. Synthetic fibers have become one of the most widely used outdoor fabrics due to its superior characteristics, and it is estimated that the scale of the sports outdoor market in China will be close to RMB600 billion.

Besides scientific research technology, we also highly value the development of each employee of the Group. We believe our staff is a key element of success, while the balance between work and life, positive response to staff opinions and suitable orientation training, on-the-job training and technical training are indispensable parts of our job. We will continue to recruit employees on a merit basis, adhering to the belief of “Human-oriented Philosophy, Factory based Family and Co-development” to ensure fair and equitable protection to all staff (including the management).

2025 was an eventful year. The Group faced greater challenges in the volatile environment, and the senior executive management of the enterprise led the employees to unite to embrace the challenges. Finally, on behalf of the Board, I hereby thank all our shareholders and business partners for their trust on us and for investing in the future of the Group. The management of the Group and I will continue to lead the Group to move forward, work diligently and respond quickly to economic changes to further create value for our shareholders, customers and employees, and strive to bring better returns for all shareholders.

Sze Tin Yau

Co-chairman of the Board

Hong Kong, 16 March 2026

Production Sites

Production Site A and B

Situated in the Fenglin Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, PRC



Production Site C and D

Located at Jinnan Industrial Zone, approximately two kilometers away from the production site in Fenglin Industrial Zone



Production Site E

Located at Jinnan Industrial Zone, approximately two kilometers away from the production site in Fenglin Industrial Zone



Production Sites

Designed capacity as at 31 December 2025:

FDY+POY : 1,189,000 tons per year

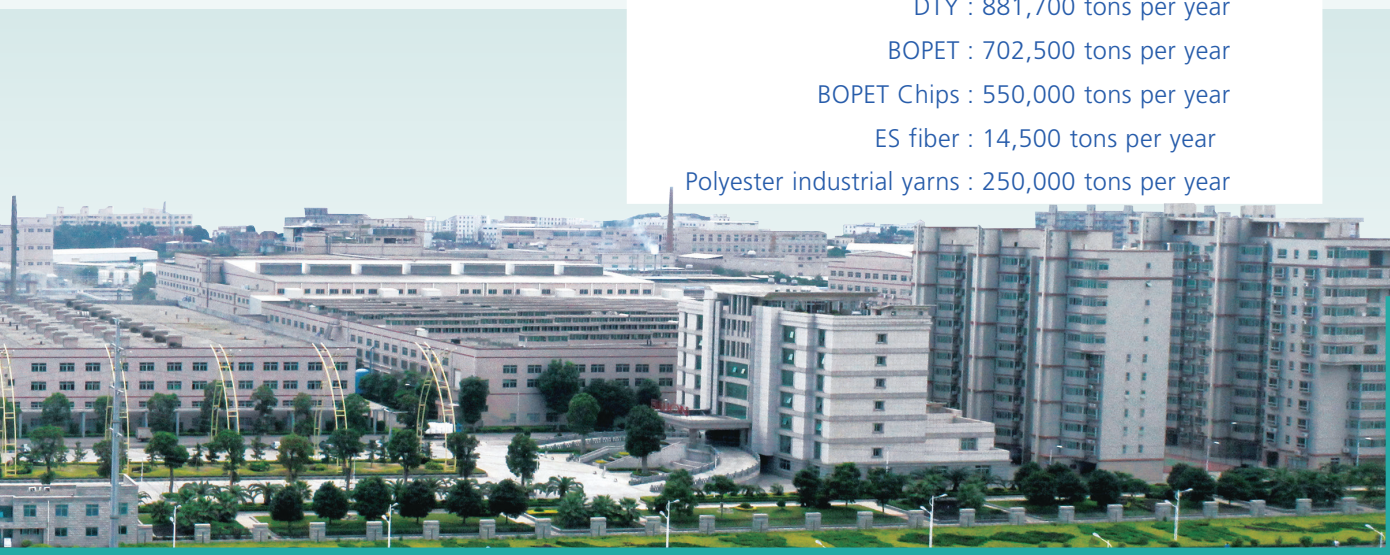
DTY : 881,700 tons per year

BOPET : 702,500 tons per year

BOPET Chips : 550,000 tons per year

ES fiber : 14,500 tons per year

Polyester industrial yarns : 250,000 tons per year

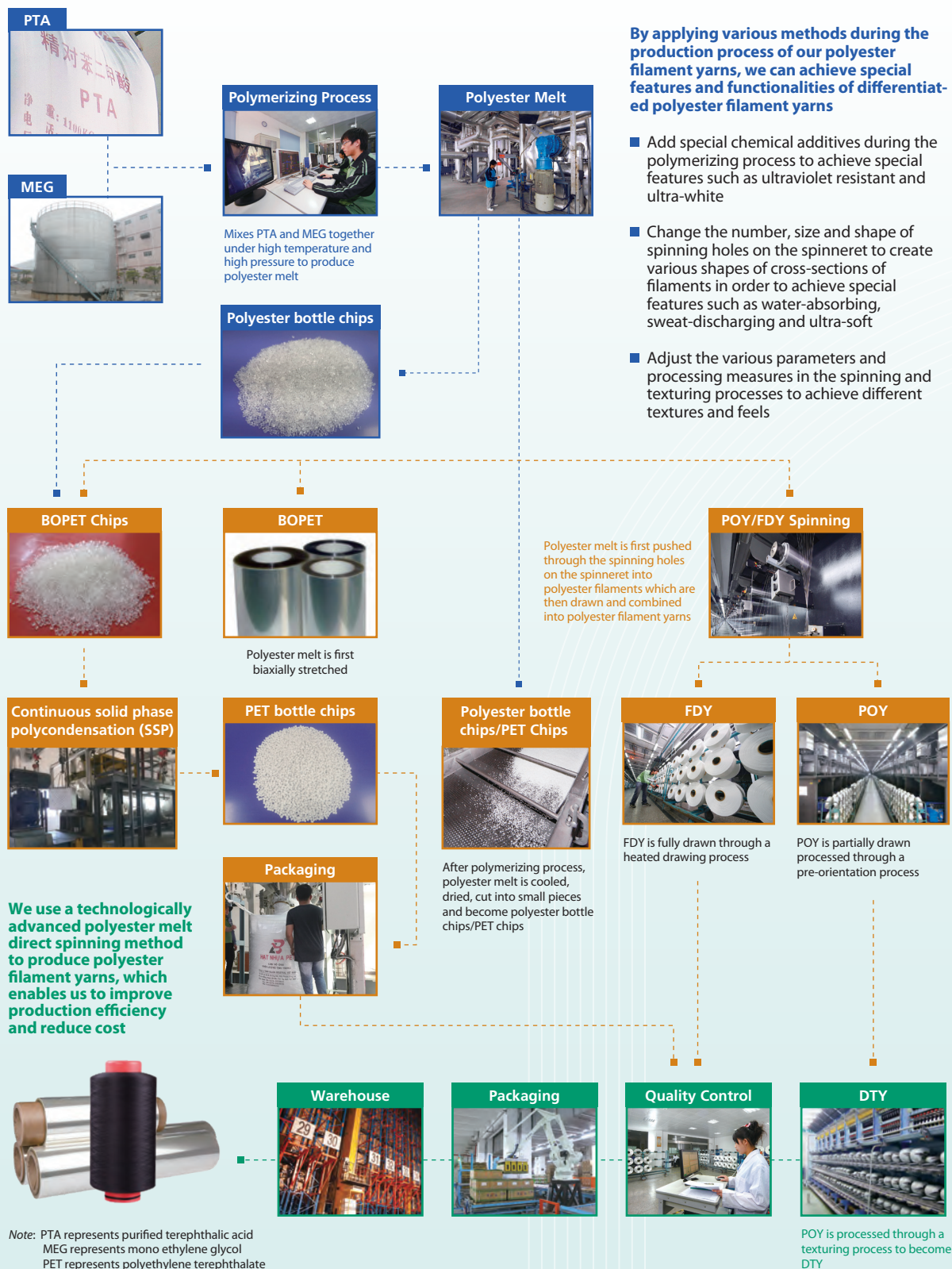


Vietnam Production Site

Situated in the Phuoc Dong Industrial Park, Phuoc Dong Commune,
Go Dau District, Tay Ninh Province, Vietnam



Production Processes of Polyester Filament Yarns & Polyester Thin Films



Management Discussion and Analysis

CHANGES IN MACRO-ECONOMIC ENVIRONMENT

In 2025, the impact of the novel coronavirus (the “**COVID-19**”), Russia-Ukraine and Israeli-Palestinian wars, global interest rate hikes, and the delicate moment in the Sino-US relation have had an impact on the global economic landscape. However, as the COVID-19 is over, together with policies implemented to boost consumption, the markets and industries started to gradually resume their business operations and production. The global economy began to show signs of recovery from the impacts of the epidemic. From January 2025 to December 2025, the profit of industrial enterprises of larger scale were approximately RMB7.4 trillion, representing a year-on-year increase by approximately 0.6%. In face of the adversely affected business activities in global trade, many countries around the world have been proposing or enhancing their economic stimulus policies. The progress of global stable recovery largely depends on the sustainability and effectiveness of various economic stimulus policies and the improvement of the world economic governance.

In addition, with improved fiscal and currency policy, the global economy is expected to improve gradually by 2026, and China is striving for the stable economic development, which further helps the people's access to services and goods, so as to stimulate consumption.

INDUSTRY REVIEW

The textile and apparel industry employs a large number of workers and plays an important role in ensuring the employment of residents, protecting the market players and stabilizing the supply chain of the industry chain. In 2025, China's textile industry faced an increasingly complicated external environment. The increasing risk points of the global economy and the domestic structural issues have brought impacts on the textile and apparel industry. Despite those adverse impacts, the development trend of China's macro economy will remain positive in long term due to its continuing effort to stabilize growth for the domestic macro-economic policies. In recent years, China's textile industry has seen the trend of growing export of textile machinery and chemical fibers with higher technology content and added value. Trade tensions may accelerate the adjustment of the industry. As the Chinese government promulgated various support measures to ease the operating pressure of the textile enterprises, the textile industry will develop under the general keynote of seeking progress while maintaining stability.

Management Discussion and Analysis

With the order in economy and people's lives recovering and the proper support of government's policy to stimulate local consumption, the sales in domestic market of textile industry recovered in every quarter. With the progressively rebound of demands in overseas market, the enterprises in China textile industry already show a sign of stable restoration. According to the data from the National Bureau of Statistics of China, for the twelve months ended 31 December 2025, the total operating revenue and profit of the industrial enterprises of larger scale in the textile industry were approximately RMB2.2 trillion and RMB73.8 billion respectively. According to the data from the National Bureau of Statistics of China, the raw material price of textile products decreased by approximately 0.1% on a year-on-year basis from January 2025 to December 2025 in general.

BUSINESS REVIEW

With the mission of "providing eco-friendly products for the public, aspiring to be the world's premier supplier of consumer product materials", the Group implements the operation philosophy of "creating green products". In order to achieve "technology innovation and improving competitive strength", the Group attaches importance to and persists in pursuing the technology innovation in a comprehensive approach addressing "Production, Learning, Research and Application". The Group formulates the deepened reform proposal through technology improvement, technology innovation, product mix optimization and recruiting innovative talents, strives to research and develop new products and enhance product added value, and improves brand values and market competitiveness of the Company. As a "High Technology Enterprise" and the "Pilot Demonstration Enterprise of Intelligent Manufacturing in Fujian Province", the Group is the first enterprise pioneering in the application of the full process intelligent automatic production in the industry. The Group leverages on the digitalization, networking and modularization of automatic equipment to keep on improving its products' quality and production volume. During the epidemic, the Group showed great resilience to risks. Benefiting from technologies and equipment such as intelligent transformation, intelligent production, intelligent packaging and intelligent storage, our production was less impacted by the epidemic. The Group's production lines of each workshop continued to run at full speed during the critical period of the first outbreak of the epidemic when manpower was largely limited. The capability of maintaining operation benefits from the automation, which proves that our forward-looking decision made years ago to carry out intelligent transformation, and also reinforces the Group's determination towards further intelligent upgrade.

Management Discussion and Analysis

The Group attaches great importance to the introduction and cultivation of talents and has adopted the talent strategy of “recruiting employees with due care and connecting people with heart (招人留心、用人連心)” which attracts more talented individuals to join the business. We established a talents practice base in cooperation with Donghua University, and we have become an enterprise with excellent scientific and technological research and development talents. The Group has a research and development team, comprising a large number of senior technicians from all around the country, to develop new products under a market-oriented approach. The Group also has a sizable quality control team equipped with the world class testing facilities to ensure stringent product quality and personalized quality service.

The management team of the Group applied scientific management software to achieve networking and informatization of the management during the course of production, to allocate production among various products and to allocate equipment between production and research and development to maximize the utilization of production capacity. The scientific production management process enhanced the production efficiency of the Group, which enabled the Group to constantly launch new products on time targeting at market demand with a view to increasing the strengths of product differentiation. Our ES fiber project successfully commenced production on 27 June 2020. ES fiber is a kind of bicomponent skin-core structure composite fiber where the skin component has a low melting point and good flexibility and the core component has a high melting point and high strength. After heating, a portion of the skin component will be melted and bonded together, and the rest maintains the fiber properties while enjoying a low thermal shrinkage rate. It is particularly suitable for use in through air drying process to manufacture products such as sanitary materials, thermal filling materials and filtration materials. With respect to model selection and main equipment installation, our ES fiber project adopts German facilities. The excellent equipment largely ensures the Group’s product innovation and technological innovation. The Group targets at the high-end customers to provide them with high-end customized products according to their demand, as a gradual process to enter into the international high-end market. Moving forward, the Group expects more promising prospects for the ES fiber business as to demand and application. High value-added products can generate higher profits, which will also consolidate the position of the Group in the industry.

The Group manufactures functional environment-friendly polyester thin films project of 255,000 tons in production site G on an annual basis, of which, 2 of the production lines focused on the production of polyester thin films, with an annual capacity of 70,000 tons, were duly put into production in December 2020. The project adopts international advanced polyester production process with six biaxially-oriented polyester thin films production lines of the latest model purchased from Dornier in Germany, equipped with the cutting machines in KAMPF of Germany, and 9 APET sheet production lines. By virtue of the automatic control in the whole process of production, the implementation of purification management in production workshops, and the smooth operation and stability of the equipment and the production lines, we can manufacture thin films of larger span, which can satisfy more customers’ needs and ensure the quality of various products. Positioning at high-end functional polyester thin films and sheet market at home and abroad, the products can be mainly applied in the segments including soft packaging, composite printing, garments, safety and energy saving, cosmetics, food packaging, toys, electronic products including solar backplane, protective film and release film. Due to the prosperous market conditions in the thin films market this year and wide market potential, there have been advanced orders placed by our customers prior to the commencement of commercial production of the project. Relying on the entire supply chain platform of the Group and mature technology management team, the products will serve customers in all respects with a focus on high quality, high starting point and specialization. The production of the project will allow the Group to double the production capacity of its existing polyester thin films and APET sheet and strengthen its market position as a large polyester thin films manufacturer in China.

Management Discussion and Analysis

The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The expected annual production capacity is about 300,000 tons and it has been put into commercial production gradually in July 2023. In addition, the production line for polyester thin films established by the Group with a planned investment of approximately US\$320 million over a period of four years from 2020 to 2023 has been put into commercial production in November 2023. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 tons per year.

After more than one year of planning and construction, the manufacturing facilities of polyester industrial yarns products of the Group, which has an annual production capacity of approximately 250,000 tons, commenced operation in July 2022. The Group has been committed to constructing its polyester industrial yarns products with the belief of “high quality, high starting point, specialization, and serving various fields”. The Group adopts world-class advanced polyester process in its production by introducing the latest high-speed spinning winder of Oerlikon Barmag (a German brand), which can produce a full range of products including ordinary high-strength, low-shrink, ultra-low-shrink, activated, anti-wicking and water-repellent, car seat belt wear resistant and special sewing thread and non-ferrous type, as complemented by the plied and twisted lines and twisting device to enrich the product structure. Meanwhile, the Group is equipped with the whole-process intelligent production and management from the latest intelligent winding, product inspection, packaging to storage, together with the optimized application of Oerlikon Barmag’s automation solution. The Group is also among the top ten polyester industrial yarns manufacturers in China. The project has led the Group to expand the business of polyester industrial yarns products, marking another milestone towards the whole industry chain layout of the Group. We gradually acquire expertise in the direction of customer flow, information flow and capital flow in the industry. Meanwhile, the Company continues to strengthen its publicity efforts to further enhance our reputation for polyester industrial yarns products, and proactively deepens understanding of customers’ needs for polyester industrial yarns prices, functions and services. The Group will continue to provide customers with high-end quality products and gradually take the lead in the market.

In addition, in view of the global development trend of synthetic fibers, by expanding the polyamide (commonly known as: nylon) business, the Company can seize the growth opportunities in this market, increase the variety and capacity of the Group’s existing production projects, and strengthen the Group’s market position as one of the large-scale manufacturers in the PRC. We expect to invest approximately RMB2,395,730,000 during the three-year period from 2025 to 2027, and we estimate the total production capacity of the new facilities upon completion will be approximately 120,000 tons per annum, with gradual commencement of commercial production starting from 2026. Synthetic fibers have become one of the most widely used outdoor fabrics due to its superior characteristics, and it is estimated that the scale of the sports outdoor market in China will be close to RMB600 billion.

The Group had signed a 5G new technology strategic cooperation agreement with China Mobile, to jointly explore development opportunities in the 5G business sector by further leveraging the unique advantages of both parties. The Group’s commissioning of 5G smart factories has eased the pressure caused by rising labor costs, improved production efficiency, and promoted high-quality development in digital, intelligent, and flexible aspects with reform and innovation. As the first 5G intelligent chemical factory in the chemical fiber industry in the country, the Group and China Mobile cooperate in the fields of intelligent manufacturing, 5G data acquisition and transmission, high-precision positioning, visual recognition, network security, etc., to expand 5G industrial Internet application scenarios and achieve mutual benefit and win-win results.

Management Discussion and Analysis

As a leading enterprise in Fujian Province, the Group has been dedicated to building the front-end platform for foreign economic and trading cooperation in recent years. In active response to the national call, the Group decided to invest in Vietnam to build a polyester factory as early as 2016. On 3 May 2020, the Group officially commenced the second project, i.e. the “polyester bottle chips project with an annual production capacity of 250,000 tons”, under phase I of the Group’s investment in and construction of the “700,000-ton differentiated chemical fiber project” in Tay Ninh, Vietnam. The main product of the project is bottle grade chips suitable for making bottles for water such as mineral water and purified water. Coupled with the “polyester filament yarns and chips project with an annual production capacity of 200,000 tons”, which commenced operation in September 2019, the two projects under phase I of our investment in and construction of the “700,000-ton differentiated chemical fiber project” in Vietnam have completed construction. The Group targets to develop these projects to create a demonstration platform for China-Vietnam production capacity cooperation, marking a further great leap forward in the development of the Group. Leveraging on the geographical location of Vietnam and its huge market potential, the Group will continue to capitalize on its opportunities and utilize its strengths as a large-scale corporation to differentiate itself from the competitors and enter the textile and polyester bottle chips market in Vietnam.

The Group has always been highly valuing the importance of marketing channel expansion and customer services. The flexible sales strategies enable it to understand market situations in time, focus on customers’ experience and timely communicate the feedback from customers to the technology and production center, in order to ensure the bilateral interaction and providing fast and efficient product aftersales services. While consolidating its market share in Fujian and Guangdong Provinces, the Group also strived to develop international markets and continued to improve its response to the market whilst expanding the emerging markets. According to the feedback of downstream users in the emerging markets, the Group made functional improvement and technology upgrade to its existing product lines with suitable marketing strategy, strengthened safety and quality control on export products, and maintained cost advantages.

As one of the leading chemical fiber producers in China, the Group is primarily engaged in the research and development, production and sale of new polyester materials, civil silk, industrial yarn, polyester film, polyester bottle chips and ES fiber. Featuring special physical properties and functionalities, such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial, these products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Company has become the largest polyester production base in South China.

The Company attaches great importance to the construction of green factories, focusing on energy conservation, emission reduction and environmental protection. It always adheres to the simultaneous implementation of source control and end treatment, and has achieved certain results in aspects such as green management, energy conservation and low-carbon initiatives, environmental protection and green technological innovation. We emphasize greening and beautification to build garden-style factories and establish green factories through green ecology. We are committed to maintaining extensive greenery throughout our factory site and, within our means, proactively assist in caring for surrounding trees outside our factory site. This truly enables the Company to achieve the vision of “views of greenery from windows, gardens from doorways, and shade along pathways”, delivering a green response for “carbon neutrality” through practical actions. The Company has dedicated personnel to manage its greening and landscaping, and has formulated rules and regulations regarding enterprise greening. This provides workers with a pleasant and elegant environment, while also helping to reduce the impact of workshop noise and exhaust gas on the surroundings. As a result, the Company was awarded the title of “National Green Factory” for 2025.

Management Discussion and Analysis

In addition, through years of dedicated effort, the Group has established a nationally leading smart factory for the melt direct spinning of polyester industrial yarn. The smart factory features with production process simulation and optimization; model-based advanced control of production stages such as spinning; smart online quality inspection; smart logistics and warehousing; factory interconnection network architecture and information models; automatic collection and visualization of production process data; integration of on-site data with production management systems; and dynamic cost and quality tracking systems. It has achieved the intelligent optimization of the enterprise's operations, management and decision-making, and satisfies the intelligent requirements for all stages of polyester industrial yarn product design, processing, manufacturing, testing and logistics in fields like automotive safety, marine engineering and oil exploration, and overcomes the shortcomings in online product quality inspection. As a result, the Group has enhanced the processing system for functional and differentiated products, while improving labor productivity, product quality, new product R&D capabilities, and energy utilization efficiency.

Through the implementation of the project, customized and large-scale replication can be carried out in domestic chemical fiber enterprises, especially those producing polyester filament through melt direct spinning. The achievements of the automated storage and retrieval system have been applied and promoted within domestic chemical fiber enterprises, exerting a leading and exemplary effect on enhancing the intelligence level of the industry as a whole. The new intelligent manufacturing model for polyester filament through melt direct spinning, which can be promoted and applied within the industry, has played a crucial role in driving the industry's transformation and upgrading, and has a certain degree of influence and driving effect on the entire industry. It is of significant demonstrative importance for enhancing the level of intelligent chemical fiber production in China. Accordingly, the Group was selected by the Ministry of Industry and Information Technology as a National Excellence-level Smart Factory for 2025.

The Group's major subsidiaries, Billion Fujian and Billion High-tech have been awarded as high technology enterprises. During the year under review, the revenue from and the research and development expenses of the Group's differentiated products amounted to RMB10,671,462,000 and RMB466,848,000, representing 59.1% and 2.6% of the total revenue respectively. Our research and development focused on improving the product quality and production efficiency, as well as enhancing its innovative capability in all aspects from chemical fiber to textile fabrics. Such a high rate ensures our market competitiveness and is also a key factor contributing to the steady growth of the Group's sales. In addition, the Group owned 142 national patents registered in China and had applied for 188 national patents. Among all of the Group's patented products, 161 of them have already been applied to our products sold to customers. We remain confident in the short-and medium-term development as it continues to push ahead its innovative capability and intelligentization achievements, alongside with the application for patents in China, increasing national income, optimizing demographic structure and consumption upgrade.

Management Discussion and Analysis

FINANCIAL REVIEW

Operational performance

1. Revenue

Revenue of the Group in 2025 amounted to RMB18,049,176,000, representing a decrease of 12.5% as compared to RMB20,631,678,000 in 2024. Revenue attributable to the sales of polyester filament yarns, the Group's main products, was RMB6,878,052,000, accounting for 38.1% of the total revenue. Revenue attributable to the sales of polyester products* was RMB9,143,696,000, accounting for 50.7% of the total revenue. The revenue of the ES fiber and polyester industrial yarns of the Group was RMB143,271,000 and RMB1,884,157,000, respectively, accounting for 0.8% and 10.4% of the total revenue, respectively. The revenue analysis of the various products of the Group is as follows:

Polyester filament yarns

The Group adopts a melt-direct spinning differentiated chemical fiber production line which is technologically advanced by global standard, and possesses the leading spinning and texturing equipment and technology in the industry. The Group targets its polyester filament yarns products at the middle and high-end markets both domestically and abroad, a majority of which are differentiated products and have special physical features and functionalities, such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial. These products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Group's product solutions have a clear positioning and are targeted at the mid to high-end market. In response to the needs of the target markets, the product plan designs are based on the production of differential Oerlikon fibers and functional fibers.

Revenue attributable to the sales of polyester filament yarns products for the year under review was RMB6,878,052,000, representing a decrease of RMB2,024,156,000 or 22.7% as compared to RMB8,902,208,000 in 2024. The average selling price of polyester filament yarns in the year under review was RMB8,025 per ton, representing a decrease of RMB715 or 8.2% as compared to RMB8,740 per ton in 2024.

* Polyester products represent biaxially-oriented polyethylene terephthalate ("BOPET") thin films, polyester bottle chips, polyester films and wasted filament generated during the production process.

Management Discussion and Analysis

Polyester products

The Group's polyester products can be widely used in various sectors including packaging, magnetic materials, imaging, industry, electronics and electrical appliances, with its principal products positioned at the middle and high-end markets both domestically and abroad. The Group re-engineered its polyester products production lines to conduct research and development on various categories of thin films products under different raw material formulae and various technological conditions. The Group introduced the production lines and research and development equipment with advanced international standards for BOPET thin films from Dornier in Germany, which mainly focuses on the production, research and development and sales of BOPET thin films. It has become one of the largest polyester thin films production enterprises in China. In addition, the commencement of production of the facility of Billion Vietnam has also expanded the production capacity of polyester products of the Group.

Revenue attributable to the sales of polyester products for the year under review was RMB9,143,696,000, representing a decrease of RMB812,339,000 or 8.2% as compared to RMB9,956,035,000 in 2024. The average selling price of polyester products in the year under review was RMB6,018 per ton, representing a decrease of RMB686 or 10.2% as compared to RMB6,704 per ton in 2024. The sales volume of the Group's polyester products increased by 2.3% from 1,485,129 tons in 2024 to 1,519,447 tons during the year under review.

ES fiber and polyester industrial yarns

The Group's ES fiber is a new type of thermally bonded composite fiber. After heating, a portion of the skin component will be melted and bonded together enjoying a low thermal shrinkage rate. Fibers are interlinked to form a non-woven fabric without adhesives. Different heat treatment methods will produce non-woven fabrics with different effects. For example, the application of hot air bonding can produce fluffy non-woven fabrics, the application of hot rolling bonding can produce high strength non-woven fabrics, products of which are mainly used in disposable sanitary products. During the year under review, the revenue attributable to the sale of ES fiber products was RMB143,271,000, and the average selling price of the products was RMB9,155 per ton.

Different from the production process of polyester filament, polyester industrial yarns of the Group requires a solid phase polymerization device which can increase the viscosity through solid phase polycondensation. The tensile strength of such yarns is controlled by winding hot rolls industrial silk, and physical properties are controlled. Different strengths have different uses. Industrial silk products of the Group serve various fields with high quality, high starting point and specialization, including hoisting belts, conveyor belts, car seat belts, canvas, teslin, coated cloth, fire hoses, oil and water pipelines, geotextiles and so on. During the year under review, the revenue attributable to the sale of polyester industrial yarns products was RMB1,884,157,000, and the average selling price of the products was RMB7,399 per ton.

Management Discussion and Analysis

Revenue and Sales Volume Analysis (By Product)

	Revenue				Sales volume			
	2025		2024		2025		2024	
	RMB'000	Percentage	RMB'000	Percentage	Tons	Percentage	Tons	Percentage
Polyester filament yarns								
DTY	5,065,596	28.1%	6,351,537	30.8%	582,839	22.0%	680,636	24.9%
FDY	1,125,826	6.2%	1,803,262	8.7%	151,181	5.7%	215,757	7.9%
POY	362,534	2.0%	209,734	1.0%	58,363	2.2%	30,750	1.1%
Other polyester filament yarns products*	324,096	1.8%	537,675	2.6%	64,728	2.5%	91,379	3.3%
Sub-total	6,878,052	38.1%	8,902,208	43.1%	857,111	32.4%	1,018,522	37.2%
Polyester products								
BOPET thin films	4,125,066	22.9%	3,957,581	19.2%	618,353	23.3%	562,099	20.6%
Polyester bottle chips	3,722,172	20.6%	4,758,701	23.1%	631,769	23.9%	719,531	26.3%
Other polyester products**	1,296,458	7.2%	1,239,753	6.0%	269,325	10.2%	203,499	7.4%
Sub-total	9,143,696	50.7%	9,956,035	48.3%	1,519,447	57.4%	1,485,129	54.3%
ES fiber	143,271	0.8%	115,811	0.6%	15,649	0.6%	12,713	0.5%
Polyester industrial yarns	1,884,157	10.4%	1,657,624	8.0%	254,643	9.6%	219,329	8.0%
Total	18,049,176	100.0%	20,631,678	100.0%	2,646,850	100.0%	2,735,693	100.0%

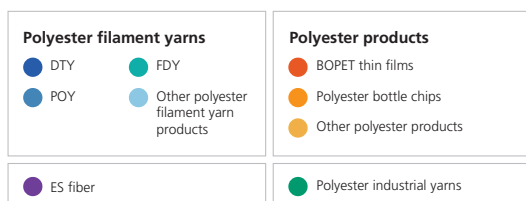
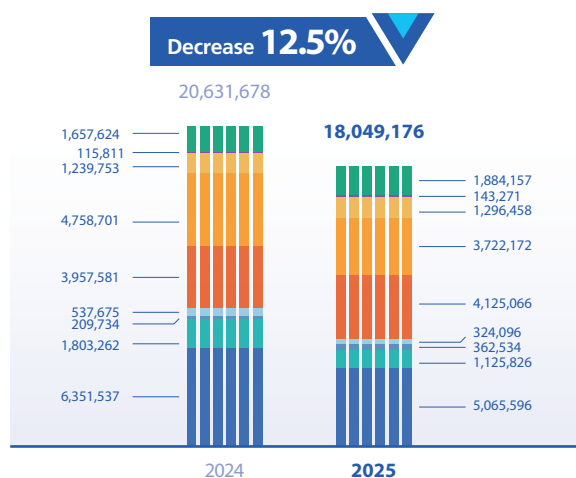
* Other polyester filament yarns products represent polyethylene terephthalate ("PET") chips and wasted filament generated during the production process.

** Other polyester products represent polyester chips, polyester films and wasted filament generated during the production process.

Management Discussion and Analysis

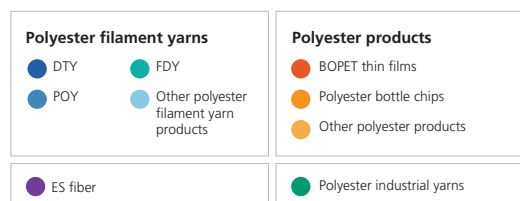
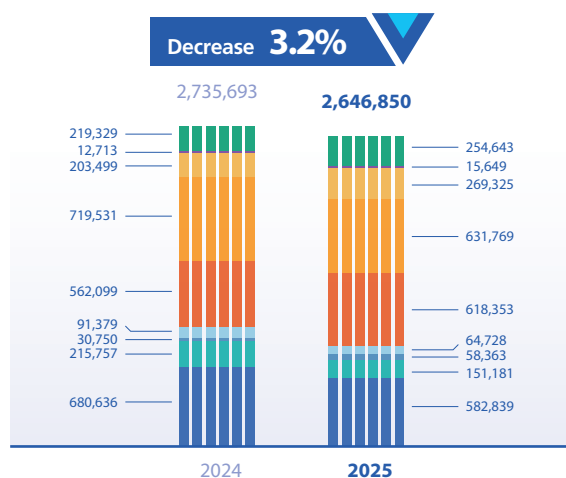
Revenue

(RMB'000)



Sales Volume

(Ton)



Sales by geographic region

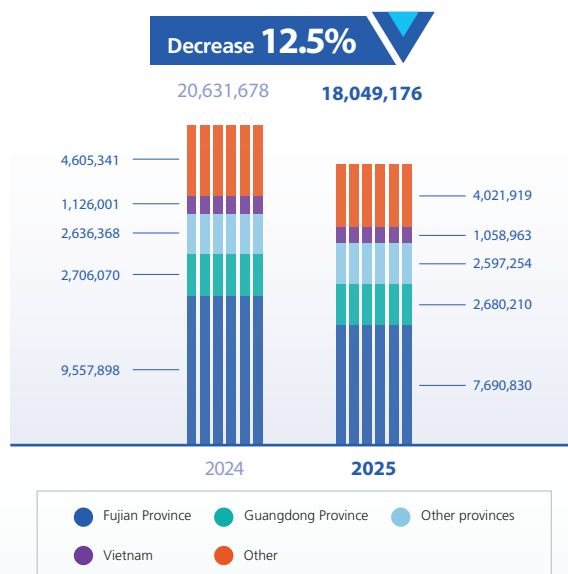
The Group's overseas sales revenue decreased from RMB5,731,342,000 in 2024 to RMB5,080,882,000 during the year under review or a decrease of 11.3%. Consequentially, the percentage of overseas sales revenue increased from 27.8% in 2024 to 28.2% during the year under review, representing an increase of 0.4 percentage point, and the regional distribution of overseas sales during the year was similar to that in 2024. Approximately 71.8% of the Group's revenue was generated from domestic market sales, of which 42.6% was from sales to customers in Fujian Province and 14.8% to customers in the adjacent Guangdong Province. While maintaining its domestic market share and position in both Fujian and Guangdong Provinces, the Group continued to expand into other provincial and municipal markets, where it provided customized product development services to its customers and developed strategic partnerships.

Management Discussion and Analysis

Geographic Revenue Disaggregation

	2025		2024	
	RMB'000	Percentage	RMB'000	Percentage
Domestic sales				
Fujian Province	7,690,830	42.6%	9,557,898	46.3%
Guangdong Province	2,680,210	14.8%	2,706,070	13.1%
Other provinces	2,597,254	14.4%	2,636,368	12.8%
Overseas sales				
Vietnam	1,058,963	5.9%	1,126,001	5.5%
Others*	4,021,919	22.3%	4,605,341	22.3%
Total	18,049,176	100.0%	20,631,678	100.0%

* Overseas sales were mainly made to countries such as ASEAN countries, EU countries, Japan, South Korea, Central America and South America.



2. Cost of Sales

Cost of sales of the Group in 2025 was RMB16,612,741,000, representing a decrease of 12.8% as compared to RMB19,059,332,000 in 2024. The cost of sales for polyester filament yarns, the Group's main products, was RMB6,258,193,000, accounting for 37.7% of the total cost of sales. The cost of sales for polyester products was RMB8,524,018,000, accounting for 51.3% of total cost of sales. The cost of sales for ES fiber and polyester industrial yarns products was RMB132,146,000 and RMB1,698,384,000, accounting for 0.8% and 10.2% of total cost of sales, respectively.

Management Discussion and Analysis

Polyester filament yarns

Average cost of sales for polyester filament yarns decreased from RMB7,765 per ton in 2024 to RMB7,302 per ton during the year under review, representing a decrease of RMB463 or 6.0% per ton. The average price of raw materials for polyester filament yarns decreased from RMB6,003 per ton in 2024 to RMB5,502 per ton during the year under review, representing a decrease of RMB501 or 8.3% per ton. PTA and MEG, major raw materials for products of the Group, accounted for 69.0% of the total cost of sales for polyester filament yarns and the prices of which were mainly affected by the price of their raw materials, i.e. crude oil.

Polyester products

Average cost of sales for polyester products decreased from RMB6,363 per ton in 2024 to RMB5,610 per ton during the year under review, representing a decrease of RMB753 or 11.8% per ton. The average price of raw materials for polyester products decreased from RMB5,583 per ton in 2024 to RMB4,850 per ton during the year under review, representing a decrease of RMB733 or 13.1% per ton.

ES fiber and polyester industrial yarns

Average cost of sales for ES fiber was RMB8,444 per ton, while the average price of raw materials for ES fiber was RMB6,569 per ton.

Average cost of sales for polyester industrial yarns was RMB6,669 per ton, while the average price of raw materials for polyester industrial yarns was RMB5,096 per ton.

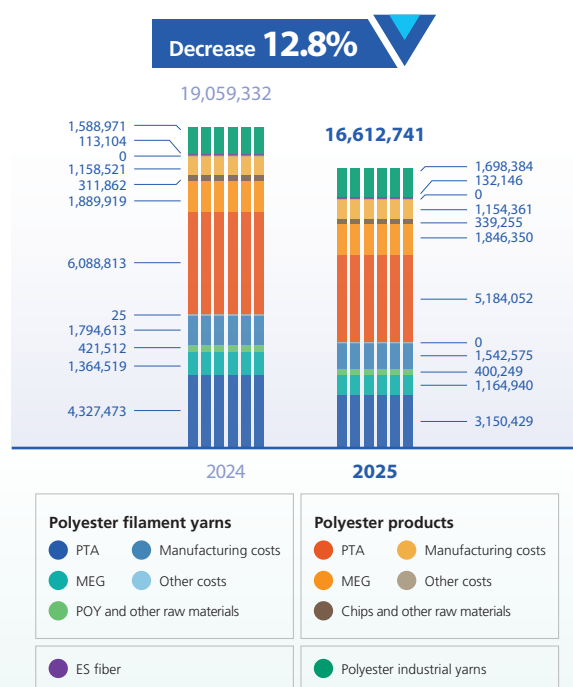
Management Discussion and Analysis

Cost of Sales Analysis

	2025		2024	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	3,150,429	19.0%	4,327,473	22.8%
MEG	1,164,940	7.0%	1,364,519	7.2%
POY and other raw materials	400,249	2.4%	421,512	2.2%
Sub-total	4,715,618	28.4%	6,113,504	32.2%
Manufacturing costs	1,542,575	9.3%	1,794,613	9.4%
Other costs	–	0.0%	25	0.0%
Sub-total	6,258,193	37.7%	7,908,142	41.6%
Polyester products				
Cost of raw materials				
PTA	5,184,052	31.2%	6,088,813	31.9%
MEG	1,846,350	11.1%	1,889,919	9.9%
Chips and other raw materials	339,255	2.1%	311,862	1.6%
Sub-total	7,369,657	44.4%	8,290,594	43.4%
Manufacturing costs	1,154,361	6.9%	1,158,521	6.1%
Other costs	–	0.0%	–	0.0%
Sub-total	8,524,018	51.3%	9,449,115	49.5%
ES fiber				
Cost of raw materials				
PTA	28,385	0.1%	27,241	0.1%
MEG	10,734	0.1%	8,784	0.0%
Other raw materials	63,682	0.4%	50,624	0.3%
Sub-total	102,801	0.6%	86,649	0.4%
Manufacturing costs	29,345	0.2%	26,455	0.1%
Other costs	–	0.0%	–	0.0%
Sub-total	132,146	0.8%	113,104	0.5%

Management Discussion and Analysis

	2025		2024	
	RMB'000	Percentage	RMB'000	Percentage
Polyester industrial yarns				
Cost of raw materials				
PTA	919,351	5.5%	919,368	4.8%
MEG	339,716	2.1%	300,246	1.6%
Oil and other raw materials	38,817	0.2%	32,915	0.2%
Sub-total	1,297,884	7.8%	1,252,529	6.6%
Manufacturing costs	400,500	2.4%	336,442	1.8%
Other costs	—	0.0%	—	0.0%
Sub-total	1,698,384	10.2%	1,588,971	8.4%
Total	16,612,741	100.0%	19,059,332	100.0%



Management Discussion and Analysis

Average Cost of Sales of Products Per Ton Analysis

	2025		2024	
	RMB'000 (per ton)	Percentage	RMB'000 (per ton)	Percentage
Polyester filament yarns				
Cost of raw materials				
PTA	3,676	50.3%	4,249	54.7%
MEG	1,359	18.6%	1,340	17.3%
POY and other raw materials	467	6.4%	414	5.3%
Sub-total	5,502	75.3%	6,003	77.3%
Manufacturing costs	1,800	24.7%	1,762	22.7%
Other costs	–	0.0%	–	0.0%
Sub-total	7,302	100.0%	7,765	100.0%
Polyester products				
Cost of raw materials				
PTA	3,412	60.8%	4,100	64.4%
MEG	1,215	21.7%	1,273	20.0%
Chips and other raw materials	223	4.0%	210	3.3%
Sub-total	4,850	86.5%	5,583	87.7%
Manufacturing costs	760	13.5%	780	12.3%
Other costs	–	0.0%	–	0.0%
Sub-total	5,610	100.0%	6,363	100.0%

Management Discussion and Analysis

	2025		2024	
	RMB (per ton)	Percentage	RMB (per ton)	Percentage
ES fiber				
Cost of raw materials				
PTA	1,814	21.5%	2,143	24.0%
MEG	686	8.1%	691	7.8%
Other raw materials	4,069	48.2%	3,982	44.8%
Sub-total	6,569	77.8%	6,816	76.6%
Manufacturing costs	1,875	22.2%	2,081	23.4%
Other costs	–	0.0%	–	0.0%
Sub-total	8,444	100.0%	8,897	100.0%
Polyester industrial yarns				
Cost of raw materials				
PTA	3,610	54.1%	4,192	57.8%
MEG	1,334	20.0%	1,369	18.9%
Other raw materials	152	2.3%	149	2.1%
Sub-total	5,096	76.4%	5,710	78.8%
Manufacturing costs	1,573	23.6%	1,534	21.2%
Other costs	–	0.0%	–	0.0%
Sub-total	6,669	100.0%	7,244	100.0%
Total	6,276		6,967	

Management Discussion and Analysis

3. Gross Profit

Gross profit of the Group in 2025 was RMB1,436,435,000, representing a decrease of RMB135,911,000 or 8.6% as compared to RMB1,572,346,000 in 2024. Average selling price of products decreased by RMB723 per ton or 9.6% from RMB7,542 per ton in 2024 to RMB6,819 per ton during the year under review, while average cost of products decreased by RMB691 per ton or 9.9% from RMB6,967 per ton in 2024 to RMB6,276 per ton during the year under review. The average gross profit of products per ton decreased from RMB575 in 2024 to RMB543 during the year under review. Gross profit margin increased by 0.4 percentage point from 7.6% in 2024 to 8.0% during the year under review.

Polyester filament yarns

Average selling price of polyester filament yarns decreased by RMB715 per ton or 8.2% from RMB8,740 per ton in 2024 to RMB8,025 per ton during the year under review. The average gross profit of polyester filament yarns per ton decreased from RMB975 in 2024 to RMB723 during the year under review. The gross profit margin decreased by 2.2 percentage points from 11.2% in 2024 to 9.0% during the year under review.

Polyester products

Average selling price of polyester products decreased by RMB686 per ton or 10.2% from RMB6,704 per ton in 2024 to RMB6,018 per ton during the year under review. The average gross profit of polyester products per ton increased from RMB341 in 2024 to RMB408 during the year under review. The gross profit margin increased by 1.7 percentage points from 5.1% in 2024 to 6.8% during the year under review.

ES fiber and polyester industrial yarns

During the year under review, the average selling prices of the Group's ES fiber and polyester industrial yarns were RMB9,155 and RMB7,399, respectively. ES fiber recorded an average gross profit of RMB711 per ton, while the average gross profit of polyester industrial yarns per ton was RMB730.

During the year under review, there's a decrease in the sales volume and sales of the Group as compared to the same period of last year. The prices of main raw materials, PTA and MEG, declined due to the sharp drop in crude oil prices, which in turn led to lower product prices. Meanwhile, demand came under pressure from macroeconomic factors, such as the imposition of additional tariffs by the United States. Competition in the downstream market for chemical fiber products was intense, and the operating conditions of textile customers also placed the Group under a degree of pressure. Despite short-term challenges, the Group remains committed to expanding its domestic and overseas markets and is steadily expanding its production scale as planned. As the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

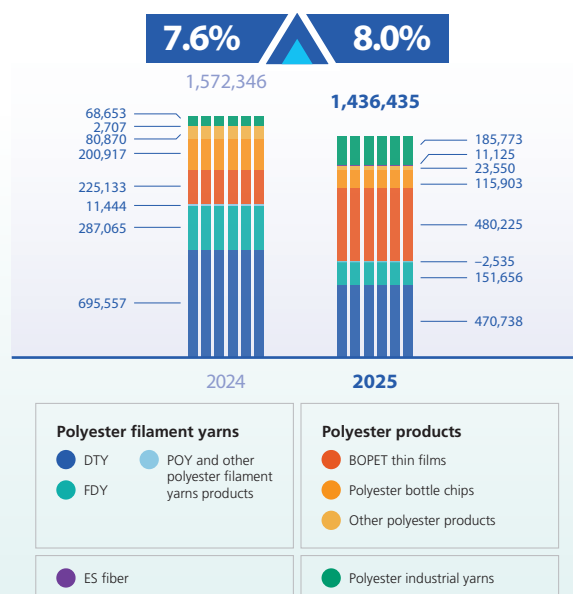
Management Discussion and Analysis

Gross Profit by Product Analysis

	2025		2024	
	RMB'000	Percentage	RMB'000	Percentage
Polyester filament yarns				
DTY	470,738	32.8%	695,557	44.3%
FDY	151,656	10.6%	287,065	18.3%
POY and other polyester filament yarns products*	(2,535)	(0.2%)	11,444	0.7%
Sub-total	619,859	43.2%	994,066	63.3%
Polyester products				
BOPET thin films	480,225	33.4%	225,133	14.3%
Polyester bottle chips	115,903	8.1%	200,917	12.8%
Other polyester products**	23,550	1.6%	80,870	5.1%
Sub-total	619,678	43.1%	506,920	32.2%
ES fiber	11,125	0.8%	2,707	0.2%
Polyester industrial yarns	185,773	12.9%	68,653	4.3%
Total	1,436,435	100.0%	1,572,346	100.0%

* Other polyester filament yarns products represent PET chips and wasted filament generated during the production process.

** Other polyester products represent polyester chips, polyester films and waste filament generated during the production process.



Management Discussion and Analysis

Average Selling Price, Cost and Gross Profit Disaggregation (per ton)

	2025 RMB	2024 RMB
Polyester filament yarns		
Average selling price	8,025	8,740
Average cost of sales	7,302	7,765
Average gross profit	723	975
Average gross profit margin	9.0%	11.2%
Polyester products		
Average selling price	6,018	6,704
Average cost of sales	5,610	6,363
Average gross profit	408	341
Average gross profit margin	6.8%	5.1%
ES fiber		
Average selling price	9,155	9,110
Average cost of sales	8,444	8,897
Average gross profit	711	213
Average gross profit margin	7.8%	2.3%
Industrial yarns		
Average selling price	7,399	7,558
Average cost of sales	6,669	7,244
Average gross profit	730	314
Average gross profit margin	9.9%	4.1%

Management Discussion and Analysis

4. Other revenue

Other revenue of the Group in 2025 amounted to RMB319,552,000, representing a decrease of 27.7% as compared to RMB441,881,000 in 2024. Other revenue included bank interest income, government grants and gains on sales of raw materials. During the year under review, such decrease was due to a reduction in government grants.

5. Other net losses

Other net losses of the Group in 2025 amounted to RMB28,341,000 (other net losses in 2024 amounted to RMB95,000). Other net gains and losses mainly comprised the realised and unrealised net gains and losses on financial instruments at FVPL, donation expenses and the net exchange gain and loss. During the year under review, such change was mainly attributable to an increase in realised loss on financial instruments at FVPL and net exchange gain.

6. Selling and distribution expenses

Selling and distribution expenses of the Group in 2025 amounted to RMB231,022,000, representing a decrease of 17.2% as compared to RMB279,109,000 in 2024. Selling and distribution expenses mainly comprised transportation costs, wages of our sales staffs, operating expenses and promotion expenses. Such decrease was mainly due to the decrease in related transportation costs and miscellaneous expenses resulted from the decrease in sales volume during the period.

7. Administrative expenses

Administrative expenses of the Group in 2025 amounted to RMB675,845,000, decreased by 11.5% as compared to RMB763,936,000 in 2024. Administrative expenses mainly comprised research and development costs, depreciation on office equipment, staff wages, general office expenses, professional and legal fees, etc. Such change was mainly due to the decrease in research and development costs during the period under review.

8. Finance costs

Finance costs of the Group in 2025 amounted to RMB108,515,000, decreased by 18.1% as compared to RMB132,486,000 in 2024. Such change was mainly due to the decrease in the other interest expenses.

Management Discussion and Analysis

9. Income tax

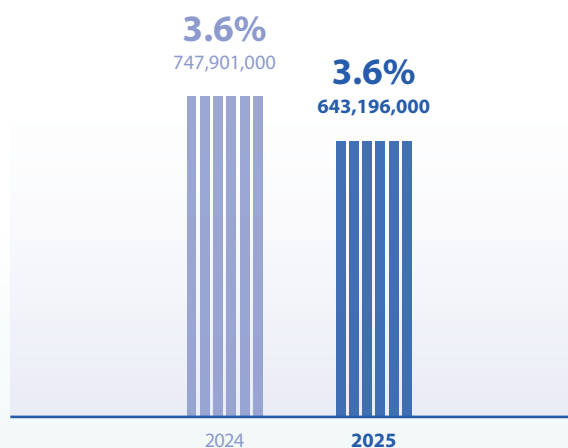
Income tax of the Group in 2025 amounted to RMB69,068,000, decreased by 23.9% as compared to RMB90,700,000 in 2024. Such change was mainly due to a decrease in profit before tax.

Billion Fujian and Billion High-tech, major subsidiaries of the Group, were recognised as the Advanced and New Technology Enterprises and entitled to a preferential CIT rate of 15% in 2025.

The standard corporate income tax rate in Vietnam is 17% of taxable profits for the first 10 years starting from the first period of operation (i.e. 2019-2028 for Billion Industrial (Viet Nam) Co., Ltd. ("Billion Vietnam")) and 20% for the succeeding years. According to the provisions of the Investment Registration Certificate of Billion Vietnam, Billion Vietnam is exempted from Vietnam CIT for 2 years starting from the first year it generates taxable profit and entitled to a 50% reduction in income tax for the 4 succeeding years. The above exemption and reduction are not applicable to other income. As Billion Vietnam generated taxable profit for the first year in 2021, Billion Vietnam is exempted from Vietnam CIT for the years ended 31 December 2021 and 2022, and 50% reduction in income tax until the year ending 31 December 2026. For the years ended 31 December 2025 and 2024, Vietnam CIT has been provided at 17% as Billion Vietnam generated taxable profit and is entitled to a 50% reduction in income tax.

10. Profit for the year

Profit for the year of the Group in 2025 amounted to RMB643,196,000, decreased by RMB104,705,000 or 14.0% as compared to RMB747,901,000 in 2024, while the net profit margin of 3.6%, which was the same as the net profit margin of 3.6% in 2024.



Management Discussion and Analysis

Financial position

1. *Liquidity and capital resources*

As at 31 December 2025, cash and cash equivalents of the Group amounted to RMB358,916,000, increased by RMB131,388,000 or 57.7% as compared to RMB227,528,000 as at 31 December 2024. Such increase was mainly due to the increase in bank loans by the Group during the year under review.

During the year under review, net cash used in operating activities amounted to RMB1,095,469,000, net cash inflow from investing activities amounted to RMB32,807,000 and net cash inflow from financing activities amounted to RMB1,190,474,000.

The Group satisfies its working capital needs mainly with cash inflows from operating activities. During the year under review, inventory turnover days were 121.1 days (2024: 94.0 days), an increase of 27.1 days as compared to the same period last year, which was mainly due to the increase in inventories by the Group for sales activities in the second half of the year. The trade and bills receivable turnover days were 19.3 days (2024: 21.0 days), representing a decrease of 1.7 days as compared to the same period last year. The trade and bills payable turnover days were 227.1 days (2024: 300.5 days), representing a decrease of 73.4 days as compared to the same period last year, which mainly due to the sound relationship the Group maintained with the suppliers.

As at 31 December 2025, the Group had capital commitments of RMB1,582,865,000, which were mainly used for the expansion of production capacity as well as development of the production line for polyester industrial yarns products in Jinjiang.

2. *Capital structure*

As at 31 December 2025, the total liabilities of the Group amounted to RMB14,138,351,000 whereas capital and reserves amounted to RMB11,502,794,000. The gearing ratio (total liabilities divided by total equity) was 122.9%. Total assets amounted to RMB25,641,145,000. The debt-to-assets ratio (total assets divided by total liabilities) was 1.81 times. Bank loans of the Group amounted to RMB2,091,636,000, of which RMB2,091,636,000 were repayable within one year. RMB2,091,636,000 of the bank borrowings were secured by properties and restricted bank deposits.

Significant investment held, and material acquisitions or disposals of subsidiaries

There were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year under review.

The Group will continue to seek opportunities in utilising its idle cash by investing in appropriate financial products. The Company's future plan in the coming year for other material investments and additions of capital assets is primarily related to the expansion of domestic production capacity as well as development of the Vietnam production business. The Company intends to finance such plan through internally generated funds and bank loans.

Management Discussion and Analysis

Charges on assets

Save as disclosed in this report, there was no other charge on Group's assets as at 31 December 2025.

Contingent liabilities

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

Foreign currency risk

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities.

The management monitors the related foreign currency risk exposure closely on a daily basis and, pursuant to a written foreign currency hedging policy as approved by the management, the Group would only enter into foreign currency forward contracts should need to arise. At 31 December 2025, the Group had significant outstanding foreign currency forward contracts of approximately RMB98,562,000 (2024: RMB98,562,000). No significant realised and unrealised fair value gain or loss has been arising for the foreign currency forward contracts.

Employees and remuneration

As at 31 December 2025, the Group had a total of 9,022 employees. The remuneration for employees is determined in accordance with their performance, professional experience and the prevailing market conditions. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Apart from pension, the Group also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Management Discussion and Analysis

BUSINESS OUTLOOK

As one of the leading chemical fiber producers in China, the Group is primarily engaged in the research and development, production and sale of new polyester materials, civil silk, industrial yarn, polyester film, polyester bottle chips and ES fiber. Featuring special physical properties and functionalities, such as cotton-like fibers, protection against ultraviolet rays, moisture and sweat-absorption, flame-resistant, abrasion-resistant, super-soft, super-shining and antibacterial, these products are widely used in apparel, footwear and home furnishings and high-end fabrics and textiles for industry. The Company has become the largest polyester production base in South China.

The Company attaches great importance to the construction of green factories, focusing on energy conservation, emission reduction and environmental protection. It always adheres to the simultaneous implementation of source control and end treatment, and has achieved certain results in aspects such as green management, energy conservation and low-carbon initiatives, environmental protection and green technological innovation. We emphasize greening and beautification to build garden-style factories and establish green factories through green ecology. We are committed to maintaining extensive greenery throughout our factory site and, within our means, proactively assist in caring for surrounding trees outside our factory site. This truly enables the Company to achieve the vision of “views of greenery from windows, gardens from doorways, and shade along pathways”, delivering a green response for “carbon neutrality” through practical actions. The Company has dedicated personnel to manage its greening and landscaping, and has formulated rules and regulations regarding enterprise greening. This provides workers with a pleasant and elegant environment, while also helping to reduce the impact of workshop noise and exhaust gas on the surroundings. As a result, the Company was awarded the title of “National Green Factory” for 2025.

In addition, through years of dedicated effort, the Group has established a nationally leading smart factory for the melt direct spinning of polyester industrial yarn. The smart factory features with production process simulation and optimization; model-based advanced control of production stages such as spinning; smart online quality inspection; smart logistics and warehousing; factory interconnection network architecture and information models; automatic collection and visualization of production process data; integration of on-site data with production management systems; and dynamic cost and quality tracking systems. It has achieved the intelligent optimization of the enterprise’s operations, management and decision-making, and satisfied the intelligent requirements for all stages of polyester industrial yarn product design, processing, manufacturing, testing and logistics in fields like automotive safety, marine engineering and oil exploration, and overcome the shortcomings in online product quality inspection. As a result, the Group has enhanced the processing system for functional and differentiated products, while improving labor productivity, product quality, new product R&D capabilities, and energy utilization efficiency.

Through the implementation of the project, customized and large-scale replication can be carried out in domestic chemical fiber enterprises, especially those producing polyester filament through melt direct spinning. The achievements of the automated storage and retrieval system have been applied and promoted within domestic chemical fiber enterprises, exerting a leading and exemplary effect on enhancing the intelligence level of the industry as a whole. The new intelligent manufacturing model for polyester filament through melt direct spinning, which can be promoted and applied within the industry, has played a crucial role in driving the industry’s transformation and upgrading, and has a certain degree of influence and driving effect on the entire industry. It is of significant demonstrative importance for enhancing the level of intelligent chemical fiber production in China. Accordingly, the Group was selected by the Ministry of Industry and Information Technology as a National Excellence-level Smart Factory for 2025.

Management Discussion and Analysis

The Billion Vietnam Polyester Filament Project, which has an iconic significance for the Group's expansion into emerging markets, was formally put into operation in September 2019, further expanding the Group's overseas markets. Furthermore, in view of the increasing consumption of polyester industrial yarns in the PRC in recent years, in particular, the accelerating expansion of the polyester industrial yarns market in Eastern China, the Group invested approximately US\$185 million to set up a production line for polyester industrial yarns products to expand this business. The total production capacity of the new manufacturing facilities will be approximately 250,000 tons per annum, and they had been gradually commenced commercial production.

The Group also announced on 20 September 2022 that it will further invest approximately US\$73,900,000 in the development of a new production facility in Vietnam for polyester bottle chips. The designed annual production capacity is about 300,000 tons. It has been put into commercial production in July 2023.

Polyester products consumption has been increasing in China in recent years, and China has become an important production base for polyester products worldwide. By expanding the existing polyester thin film business, the Company will be able to leverage its existing scale and expertise in manufacturing polyester products to enjoy the growth of this market. The Group currently has geographical, technological and cost advantages in the polyester thin film industry. At a time when the industry is still in the blue ocean stage, the future polyester thin film will remain an important performance growth driver of the Group. The production line for polyester thin films established by the Group with a planned investment of approximately US\$320 million over a period of four years from 2020 to 2023 had been put into commercial production in November 2023. Upon the full completion, the additional polymerizing production capacity is 400,000 tons per year, which enables the additional polyester thin films to give their full play to reach the production capacity of 228,000 tons per year.

After the expansion plans for the polyester industrial yarns project and the polyester thin film project are completed, the size of the Group, and the sales volume and sales revenue of products will further increase. However, due to the impact of the lingering pandemic, there was some short-term impacts on the overall textile industry and the sales of the Group. However, as the textile industry is still well-founded, we remain confident in the medium and long-term development of the business.

In addition, in view of the global development trend of synthetic fibers, by expanding the polyamide (commonly known as: nylon) business, the Company can seize the growth opportunities in this market, increase the variety and capacity of the Group's existing production projects, and strengthen the Group's market position as one of the large-scale manufacturers in the PRC. We expect to invest approximately RMB2,395,730,000 during the three-year period from 2025 to 2027, and we estimate the total production capacity of the new facilities upon completion will be approximately 120,000 tons per annum, with gradual commencement of commercial production starting from 2026. Synthetic fibers have become one of the most widely used outdoor fabrics due to its superior characteristics, and it is estimated that the scale of the sports outdoor market in China will be close to RMB600 billion.

Corporate Governance Report

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure (i) satisfactory and sustainable returns to Shareholders, (ii) that the interests of those who deal with the Company are safeguarded, (iii) that overall business risk is understood and managed appropriately, (iv) the delivery of high-quality products and services to the satisfaction of customers, (v) that high standards of ethics are maintained.

Corporate Governance Practice of the Company

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Throughout the year ended 31 December 2025, the Company has complied with all the code provisions as set out in the CG Code.

Following the retirement of Ms. Shi Haiyan on 23 May 2025, the Board comprised six Directors, all of whom were male. Pursuant to Rule 13.92 of the Listing Rules, diversity is not considered to be achieved for a single gender board. Following the appointment of Ms. Shi Haiyan on 30 June 2025, there is at least a Director of a different gender on the Board and hence the Company is in compliance with Rule 13.92 of the Listing Rules.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors. All the Directors confirmed, following specific enquiries by the Company, that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2025.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2025. In case the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Corporate Governance Report

Board of Directors

Composition and role

As at 31 December 2025, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for corporate strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, directors' appointments, risk management, major acquisitions, disposals and capital transactions. The Board is also responsible for the establishment of the internal control and risk management systems of the Company and discusses with the management regularly to ensure that internal control and risk management systems are operating effectively. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

All Directors have devoted sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

Independent Non-executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Company had at least three independent non-executive Directors, therefore, it had satisfied the requirement under Rule 3.10(1) of the Listing Rules. One of the independent non-executive Directors, Mr. Yu Wai Ming, possesses appropriate professional accounting qualifications and financial management expertise, which is in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report

Mechanism to Ensure Independent Views and Input are Available to the Board

To ensure independent views and input are provided to the Board, the Board has taken the following measures:

Board and Committees' structure

The Company is steered by the Board comprising of a majority of non-executive Director and independent non-executive Directors. Among the seven Directors, only three of them are executive Directors. In addition, the role of the Chairman and the Chief Executive Officer are separated to ensure that there is a balance of power and authority.

Independent non-executive Directors' remuneration

Non-executive Directors receive fixed Directors' fees for their role as members of the Board and Board Committees as appropriate. Caution is also taken not to over grant awards under share option schemes and share award schemes of the Company to the extent that their independence may be affected.

Appointment of independent non-executive Directors

In assessing suitability of the candidates for potential appointment of independent non-executive Director, the Nomination Committee and the Board will review, among others, their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skill matrix and other internal policies of the Group.

Annual review of Independent non-executive Directors' commitment and independence

The Board annually reviews each Director's time commitment to the Company. Directors' attendance records in 2025 are also disclosed in this Corporate Governance Report.

The Board would assess the independent non-executive Directors' independence upon appointment, annually, and at any other time when the need to reconsider arises.

Conflict management

Directors are required to report and avoid conflicts of interests with the Company and appropriate actions would be taken by the Board to manage conflicts when such conflicts arises.

Professional advice

If required, all Directors are entitled to seek advice from independent professional advisers at the Company's expense.

Corporate Governance Report

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time, and notice of at least 14 days were given to Directors before the meetings. The Directors may participate either in person or through electronic means of communications. The individual attendance record of each Director for the meetings of the Board and the general meetings held during the year ended 31 December 2025 is set out below:

Name of Director	Attendance/Number of Meetings	
	Board Meetings	Shareholders Meetings
<i>Executive Directors</i>		
Mr. Sze Tin Yau (Co-chairman)	5/5	1/1
Mr. Wu Jinbiao (Chief Executive Officer)	5/5	1/1
Ms. Shi Haiyan (retired on 23 May 2025 and appointed with effect from 30 June 2025)	4/4	1/1
<i>Non-executive Director</i>		
Mr. Zhang Shengbai (Co-chairman)	5/5	1/1
<i>Independent non-executive Directors</i>		
Mr. Yu Wai Ming	5/5	1/1
Mr. Shih Chun Pi	5/5	1/1
Mr. Lin Jian Ming	5/5	1/1

All Directors were provided with relevant materials relating to the matters brought before the meetings. They had separate and independent access to the senior management and the secretary of the Company at all time and might seek independent professional advice at the Company's expense. Where queries were raised by Directors, steps were taken to respond as promptly and fully as possible. All Directors had the opportunity to include matters in the agenda for Board meetings.

During the year ended 31 December 2025, the co-chairmen has met with the independent non-executive Directors in the absence of other directors.

Ms. Shi Haiyan, who was appointed as an executive Director of the Company on 30 June 2025 has obtained the legal advice required under Rule 3.09D of the Listing Rules on 30 December 2024 and has confirmed her understanding of the obligations as a director of the Company.

Corporate Governance Report

Chairman and chief executive officer

For the year ended 31 December 2025, the Co-chairmen of the Board were Mr. Sze Tin Yau and Mr. Zhang Shengbai. For the year ended 31 December 2025, the Chief Executive Officer of the Company was Mr. Wu Jinbiao. The Company has complied with code provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Relationships between members of the Board

Details of the relationships between members of the Board are set out in the section headed "Directors and Senior Management" in this annual report.

Continuous professional development

The Directors have been informed of the requirement under code provision C.1.4 of the CG Code in force during the year ended 31 December 2025 regarding continuous professional development. Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. Details of attendance record of professional training by each Director during the year ended 31 December 2025 is set out below. The Directors as at 31 December 2025 confirmed that they had complied with such requirements for the period under review.

Name of Director	Professional Training attended
<i>Executive Directors</i>	
Mr. Sze Tin Yau (<i>Co-chairman</i>)	Yes
Mr. Wu Jinbiao (<i>Chief Executive Officer</i>)	Yes
Ms. Shi Haiyan	Yes
<i>Non-executive Director</i>	
Mr. Zhang Shengbai (<i>Co-chairman</i>)	Yes
<i>Independent non-executive Directors</i>	
Mr. Yu Wai Ming	Yes
Mr. Shih Chun Pi	Yes
Mr. Lin Jian Ming	Yes

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Corporate Governance Report

Board diversity policy

The Company adopted a board diversity policy (the “**Board Diversity Policy**”) on 29 November 2013 which may be amended from time to time. A summary of the Board Diversity Policy together with the measurable objectives for implementing such policy and the progress on achieving such objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognises the importance of diversity in board members to corporate governance and the board effectiveness. The purposes of the Board Diversity Policy are to set out the basic principles to be followed to ensure that (i) a diverse range of candidates are considered; and (ii) the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will be made on merit basis based on its business needs from time to time while taking into account the benefits of diversity. The Company has identified and implemented programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, in time, their skills will prepare them for senior management and board positions.

Measurable objectives

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (i) **Independence:** The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.
- (ii) **Skills and experience:** The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.
- (iii) **Gender:** Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level and will continue to promote gender diversity of the Board. As at the date of this annual report, the Board has one female Director, the gender diversity has been achieved in respect of the Board.

Corporate Governance Report

Apart from the above objectives, the Board Diversity Policy has the following objectives to comply with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;
2. at least three of the members of the Board shall be independent non-executive Directors; and
3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

Save as disclosed above, the Board has achieved the measurable objectives in the Board Diversity Policy.

Gender diversity in the workforce

As at 31 December 2025, among our workforce (including senior management), 70% are male and 30% are female. As far as talent recruitment and retention are concerned, we follow an approach to employ a diverse team that works together collaboratively and encourage differences and individuality in employees with respect to equal opportunities, diversity and anti-discrimination.

Notwithstanding the fact that we have not set a measurable objective for achieving gender diversity at the workforce level, the Company is committed to the meritocratic and diverse approach which provides equal consideration and opportunities to all qualified candidates regardless of gender in terms of hiring and promotion process.

Monitoring and reporting

The nomination committee of the Board (the “**Nomination Committee**”) is responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the Board Diversity Policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review this policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board.

Appointment, re-election and removal of Directors

According to code provision B.2.2 of the CG Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service contract with the Company with a fixed term, subject to retirement and re-election in accordance with the Articles of Associations of the Company.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years or one year, subject to retirement and re-election in accordance with the Articles of Associations of the Company.

Each of the non-executive Directors and independent non-executive Directors may terminate his/her appointment by giving a one-month prior written notice to the Company or in accordance with the terms set out in the respective letters of appointment.

Corporate Governance Report

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

Remuneration Committee

During the year ended 31 December 2025, members of the Remuneration Committee comprised Mr. Yu Wai Ming (Chairman), Mr. Sze Tin Yau and Mr. Lin Jian Ming. The majority of the Remuneration Committee members are independent non-executive Directors. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of Directors and senior management. The composition and written terms of reference of the Remuneration Committee are in line with the CG Code provisions.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group.

During the year ended 31 December 2025, the Remuneration Committee mainly performed the following duties:

- reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2025.

During the year ended 31 December 2025, two meeting was held by the Remuneration Committee to review and approve the remuneration package for Directors and senior management. The individual attendance record of each member for the meeting(s) of the Remuneration Committee held during the year under review is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Yu Wai Ming (<i>Chairman</i>)	2/2
Mr. Sze Tin Yau	2/2
Mr. Lin Jian Ming	2/2

Nomination Committee

During the year ended 31 December 2025, members of the Nomination Committee comprised Mr. Sze Tin Yau (Chairman), Mr. Yu Wai Ming, Mr. Shih Chun Pi, Ms. Shi Haiyan and Mr. Lin Jian Ming. The majority of the Nomination Committee members are independent non-executive Directors.

Corporate Governance Report

The primary duties of the Nomination Committee are to: (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board regularly and as appropriate, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors of the Company; (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairmen and the chief executive; and (v) review the Board Diversity Policy, and develop and review measurable objectives for implementing such policy at least annually, as well as monitor the progress on achieving such objectives and make disclosure of its review results in the Corporate Governance Report annually. The composition and written terms of reference of the Nomination Committee are in line with the CG Code provisions.

During the year ended 31 December 2025, the Nomination Committee mainly performed the following duties:

- reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and
- reviewed the structure, size and composition of the Board, and whether the composition of the Board complied with the requirements of the board diversity policy during the year of 2025.

During the year ended 31 December 2025, two meeting was held by the Nomination Committee. The individual attendance record of each member for the meeting(s) of the Nomination Committee held during the year under review is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Sze Tin Yau (<i>Chairman</i>)	2/2
Mr. Yu Wai Ming	2/2
Mr. Shih Chun Pi	2/2
Ms. Shi Haiyan	1/1
Mr. Lin Jian Ming	2/2

Audit Committee

During the year ended 31 December 2025, members of the audit committee of the Board (the “**Audit Committee**”) comprised Mr. Yu Wai Ming (Chairman), Mr. Lin Jian Ming and Mr. Shih Chun Pi, all being independent non-executive Directors. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and supervise the financial reporting process, internal control and risk management systems of the Group. The composition and written terms of reference of the Audit Committee are in line with the CG Code provisions.

Corporate Governance Report

During the year ended 31 December 2025, the Audit Committee mainly performed following duties:

- reviewed the Group's audited annual results for the year ended 31 December 2024 and the unaudited interim results for the six months ended 30 June 2025 met with the external auditors to discuss such annual results and interim results, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made;
- reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of external auditors; and
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management, including meeting with the management of the Company and internal control review department regarding the internal control of the Group and review the capabilities and scope of review of the internal control assessment team of the Group.

During the year ended 31 December 2025, four meetings were held by the Audit Committee. The individual attendance record of each member for the meeting(s) of the Audit Committee held during the year under review is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Yu Wai Ming (<i>Chairman</i>)	4/4
Mr. Shih Chun Pi	4/4
Mr. Lin Jian Ming	4/4

Corporate Governance Committee

The Company's corporate governance function is carried out by the corporate governance committee of the Board (the "**Corporate Governance Committee**"). During the year ended 31 December 2025, members of the Corporate Governance Committee comprised two executive Directors, namely Mr. Sze Tin Yau (Chairman) and Mr. Wu Jinbiao. The primary duties of the Corporate Governance Committee are to: (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Corporate Governance Report

During the year ended 31 December 2025, the Corporate Governance Committee mainly performed following duties:

- reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group; and
- reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year ended 31 December 2025, one meeting was held by the Corporate Governance Committee. The individual attendance record of each member at the meeting(s) of the Corporate Governance Committee held during the year under review is set out below:

Name of member	Attendance/ Number of Meetings
Mr. Sze Tin Yau (<i>Chairman</i>)	1/1
Mr. Wu Jinbiao	1/1

Accountability and Audit

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2025, which give a true and fair view of the state of affairs of the Group as at that date and of the Group's results and cash flows for the year then ended. In preparing the accounts for the year ended 31 December 2025, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate HKFRS Accounting Standards which are pertinent to its operations and relevant to the consolidated financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The statement of Forvis Mazars CPA Limited, the external auditors of the Company, about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" in this annual report.

Corporate Governance Report

Auditor's Remuneration

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of external auditors. The Group was required to pay remuneration to Forvis Mazars for their audit and non-audit services as follows:

	2025 RMB'000	2024 RMB'000
Audit services	1,667	1,613
Non-audit services in respect of interim results	183	182
Other non-audit services (Note)	174	173
	357	355

Note:

Other non-audit services mainly include attendance of the annual general meeting of the Company, agreed-upon procedures on preliminary announcement of annual results and report on the continuing connected transactions for the years ended 31 December 2025 and 2024.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems that are in place are adequate.

The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal control. The Company also has a process for identifying, evaluating, and managing the significant risks in achieving its operational objective. This process is subject to continuous improvement and was in place throughout 2025 and up to the date of this report. The day-to-day operation is entrusted to a separate department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance control and risk management. The Group's independent internal audit department was engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes.

Such review covered the financial, compliance and operational control as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing risk management and internal control systems are adequate and effective.

Corporate Governance Report

Company Secretary

The secretary of the Company is Mr. Law Hoi Ching, whose biographical details are set out in the section headed “Directors and Senior Management” in this annual report. Mr. Law has been informed of the requirements under Rule 3.29 of the Listing Rules and had taken not less than 15 hours of relevant professional training for the year ended 31 December 2025.

Shareholders’ Rights

Procedures for shareholders to convene an extraordinary general meeting and to put forward proposals during general meetings

Pursuant to the Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up capital of the Company at the date of deposit of the requisition which carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail to Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail to Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. The secretary of the Company is responsible for forwarding communications relating to matters within the Board’s direct responsibilities to the Board and communications relating to the ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Relationship with investors and shareholders

The Board recognises the importance of maintaining a clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors of the Company and the shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company’s website at www.baihong.com.

Members of the Board and chairmen of various Board committees will attend the forthcoming annual general meeting of the Company to be held on 15 May 2026 (the “AGM”) to answer questions raised by shareholders. The resolution of every important proposal will be proposed at general meetings separately.

Corporate Governance Report

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results are announced at general meetings and published on the websites of the Stock Exchange and the Company respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote their understanding on the strategy, business and development of the Group through mutual and efficient communications. Such discussion shall be limited to explanation on previous published materials and general discussion of non-price sensitive information.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy strives to ensure that all Shareholders have ready, equal and timely access to all publicly available information of the Company that is accurate, comprehensible and informative. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

A. The Company Secretary and Investor Relations of the Company

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Investor Relations Department or the Company Secretary of the Company by mail to Room 1501, Office Tower, Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong or by email to stevenlaw@baihong.com.

B. The Share Registrar of the Company

Shareholders should direct any questions about their shareholdings by mail to the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by submitting via <http://www.computershare.com/hk/en/online.feedback>, who has been appointed by the Company to assist Shareholders with share registration and related matters.

C. Whistleblowing

The Company provides a mechanism for employees and those who deal with the group to report to the Company any suspected misconduct or malpractice through confidential reporting channels. The Whistleblowing Policy of the Company sets out the available channels and procedures for anonymous reporting of improprieties.

Constitutional Documents

The articles of association of the Company was amended at the annual general meeting held on 26 May 2022. During the year ended 31 December 2025, there had not been any change in the Company's memorandum of association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Directors and Senior Management

Executive Directors

Mr. Sze Tin Yau, aged 56, is an executive Director, a co-chairman of the Board, a co-founder of the Group, an authorized representative of the Company and a director of both Billion Fujian and Billion High-tech. Mr. Sze is also the chairmen of the nomination committee and the corporate governance committee of the Board, and a member of the remuneration committee of the Board. Mr. Sze has approximately 31 years of experience in the polyester filament yarns industry and is primarily responsible for the overall corporate strategies, planning and business development of the Group. Prior to establishing the Group in 2003, he was the general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.* (福建晉江裕華服裝實業有限公司) from March 1990 to April 2000 and was the chairman of the board of directors of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.* (福建百凱紡織化纖實業有限公司) from May 2000 to October 2003. He is a founder and shareholder of Billion H.K. and has been the chairman of the board of directors of Billion H.K. since its incorporation in 1996. Mr. Sze was elected and appointed as a member of the 9th and 10th sessions of the Chinese People's Political Consultative Conference of Fujian Province* (福建省政協委員) in 2007 and 2012. He has also been appointed as an executive member of the 8th session of the Standing Committee of Business Association of Fujian Province* (福建省工商業聯合會總商會第八屆執行委員會執行委員) in July 2002. His other social undertakings include acting as the vice-chairman of the Chamber of International Commerce of Fujian Province* (中國國際商會福建商會副會長) and lifelong honorary president of Jinjiang City Charity Federation* (晉江市慈善總會永遠榮譽會長). Mr. Sze joined the Company in November 2010.

As at 31 December 2025, Mr. Sze was the sole shareholder and director of Kingom Power Limited, which was interested in 30.47% of the issued share capital of the Company as at 31 December 2025 and is a company deemed to be interested in the 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). Mr. Sze is also a director of both Billion Fujian and Billion High-tech. Mr. Sze is a brother-in-law of Mr. Wu Jinbiao, an executive Director and the chief executive officer of the Company. Mr. Sze is also a brother-in-law of Mr. He Wenyao, vice president of the Company. Save as disclosed above, Mr. Sze does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in Listing Rules), or controlling shareholders (as defined in Listing Rules) of the Company.

Mr. Wu Jinbiao, aged 63, is an executive Director, the chief executive officer of the Company, a cofounder of the Group and a director of Billion Fujian and Billion High-tech. Mr. Wu is also a member of the corporate governance committee of the Board. Mr. Wu has approximately 36 years of experience in the differentiated polyester filament yarns industry and is primarily responsible for the daily operations of the Group. Prior to establishing the Group in 2003, Mr. Wu was also a founder and shareholder of Billion H.K. and has been a director of Billion H.K. since its incorporation in 1996. He was the deputy general manager of Fujian Jinjiang Yuhua Garment Industrial Co., Ltd.* (福建晉江裕華服裝實業有限公司) from May 1985 to April 2000 and was the executive director and general manager of Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.* (福建百凱紡織化纖實業有限公司) from May 2000 to October 2003. Mr. Wu was elected and appointed as a member of the 11th session of the Standing Committee of the Chinese People's Political Consultative Conference of Jinjiang City* (晉江市政協委員會常委) and a committee member of the Political Consultative Conference of Quanzhou City, Fujian Province* (福建省泉州市政協委員會委員). He was recognised as an Advanced Individual of Textile Industry of Fujian Province* (福建省紡織工業先進個人) on 26 February 2007. Mr. Wu is also the honorary president of Jinjiang City Charity Federation* (晉江市慈善總會榮譽會長). Mr. Wu joined the Company in November 2010.

Directors and Senior Management

As at 31 December 2025, Mr. Wu was the sole shareholder and director of Winwett Investments Limited, which was interested in 6.48% of the issued share capital of the Company as at 31 December 2025 and is a company deemed to be interested in the 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. Mr. Wu is a brother-in-law of Mr. Sze Tin Yau, an executive Director and co-chairman of the Board. Save as disclosed above, Mr. Wu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Ms. Shi Haiyan, aged 40, has over 16 years of experience in the textile industry, with more than 10 years specifically focused on polyester filament yarns industry. Ms. Shi graduated from Jiangnan University (江南大學) with a college degree (專科學歷) majoring in Business Administration in January 2020.

From March 2009 to July 2015, Ms. Shi served as a sales manager at Jinjiang Lishan Garment Co., Ltd.* (晉江力山製衣有限公司). In September 2015, she joined the Group and has since served as the deputy manager of the quality management department at Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司), a wholly-owned subsidiary of the Group. She is responsible for overseeing the company's quality management system and ensuring that various departments operate in compliance with established standards and procedures. Ms. Shi's duties include identifying areas for improvement, developing and implementing rectification plans, and monitoring the progress and effectiveness of these initiatives. She also plays a key role in maintaining and updating the Company's quality management system documentation and supervising the execution of technological processes, and was appointed as an executive Director of the Company with effect from 31 December 2024. She retired as an executive Director and ceased to be a member of the nomination committee with effect from 23 May 2025. Ms. Shi Haiyan was subsequently re-appointed as an executive Director of the Company and as a member of the nomination committee with effect from 30 June 2025.

Non-executive Director

Mr. Zhang Shengbai, aged 50, has over 23 years of experience in the energy industry. He has been mainly engaged in the sales, investment, strategic planning and management of companies. He received a master degree in business administration from Southwest Jiaotong University* (西南交通大學) in 2002.

Mr. Zhang joined CECEP Chongqing Industry Co., Ltd.* (重慶中節能實業有限責任公司) in March 2007 and was promoted as the chairman and general manager in January 2019. He has been the general manager of Hefei Shikai Bus Natural Gas Co., Ltd.* (合肥施凱公交天然氣有限公司) from September 2005 and since February 2015, he has become the chairman as well. He was also the head of the strategy department of New Hope Group Co., Ltd.* (新希望集團有限公司) from October 2003 to September 2005, the deputy head of the strategy department of D'Long International Strategic Investment Company* (德隆國際戰略投資公司) from January 2003 to October 2003, the assistant manager of the investment and development department of New Hope Agriculture Co., Ltd.* (新希望農業股份公司) from January 2001 to January 2003, the sales manager of Chengdu Tieshan Kegongmao Development Co., Ltd.* (成都鐵山科工貿實業開發公司) from July 2000 to January 2001, and an assistant engineer of The First Corporation of the Fourth Engineering Division of the Ministry of Railways* (鐵道部第四工程局一公司) from August 1997 to July 2000.

Directors and Senior Management

Independent Non-executive Directors

Mr. Yu Wai Ming, aged 41, was appointed as an independent non-executive Director on 11 January 2022. He received a bachelor's degree in Business Administration (Accounting) from The Hong Kong University of Science and Technology in 2006. Mr. Yu is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in professional accounting and corporate consultancy services. Particularly, he joined KPMG in July 2006. He was transferred to KPMG Huazhen LLP in November 2010. He was a senior manager at the time of leaving KPMG Huazhen LLP in April 2016. He was the investment director of Zhangzhou Hengrun Investment Management Co., Ltd. from May 2016 to February 2018. In March 2018, he conducted business under his own name as YU Wai Ming Certified Public Accountant. In addition, he is currently the executive director of Boer Power Holdings Limited (a company listed on the Stock Exchange, stock code: 1685).

Mr. Lin Jian Ming, aged 62, was appointed as an independent non-executive Director on 18 May 2019. Prior to that, he served as an independent non-executive Director from 31 March 2013 to 27 December 2018 and a member of both the audit committee and the nomination committee of the Board from 19 March 2014 to 27 December 2018.

Mr. Lin has many years of experience in education and research. He was a graduate of Huaqiao University* (華僑大學). He was also a visiting scholar of the Chinese University of Hong Kong in 1995. He also received a doctorate degree from the Tianjin University* (天津大學) in 2002.

Mr. Lin is a professor and doctoral tutor of the Department of Materials Science and Engineering of Huaqiao University, and a director and researcher of the Institute of Materials Physical Chemistry of Huaqiao University. He is also a director of the Optical Society of Fujian* (福建省光學學會), a director of the Fujian Chemical Society* (福建省化學學會), and a deputy executive director of the Chemistry and Chemical Engineering Society of Quanzhou* (泉州市化學化工學會). He received the Youth Science and Technology Award* (青年科技獎) in Quanzhou in 2006.

Mr. Shih Chun Pi, aged 69, was appointed as an independent non-executive Director on 28 December 2018. Mr. Shih is also a member of both the audit committee and the nomination committee of the Board. Mr. Shih has over 42 years of experience in the textile industry. He has been mainly engaged in the production technology, sales promotion and management in the textile industry, accumulating his rich experience in fabric production, technology development, as well as supply chain management and sales market development of the garment factory. He is also adept in production planning and production operation model of the textile industry. Mr. Shih was the deputy general manager of Hong Kong Fen Hong Limited* (香港汾泓有限公司) from October 2011 to May 2018, the sales manager of Hong Kong Ming Feng Textile Factory* (香港明豐製衣廠) from October 1992 to September 2011, the assistant plant manager of Hong Kong Gee Cheung Knitting Factory Limited* (香港志祥針織有限公司) from November 1986 to September 1992 and a technician of Hong Kong Da Xing Textile Factory Limited* (香港大興織造公司) from November 1978 to October 1985. Before his relocation to Hong Kong in November 1978, he worked as a technician in Fujian Jinjiang Xinghua Textile Co., Ltd* (福建晉江市興華針織實業有限公司) from November 1974 to October 1978.

Directors and Senior Management

Senior management

Mr. Wu Jianshe, aged 71, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. Wu has more than 34 years of experience in the textile industry. He joined the Group upon its establishment in 2003 as a director of Billion Fujian and has been primarily responsible for sales and marketing of the Group. Prior to joining the Group, from May 1985 to April 1998, he was the general business manager of Jinjiang Longhu Henglong Zip Textile Co., Ltd.* (晉江龍湖恒隆拉鍊織造有限公司). He was also the sales manager of Fujian Jinjiang City Hengxinglong Polyester Co. Ltd. (福建省晉江市恒興隆化纖絲綸有限公司) from May 1998 to August 2003. Mr. Wu joined the Company in November 2010.

Mr. He Wenyao, aged 59, is a vice president of the Company and a director of Billion Fujian and Billion High-tech. Mr. He has approximately 32 years of experience in the textile industry. He joined our Group upon its establishment in 2003 and has been primarily responsible for procurement of raw materials, formulating the budget, market research, cost control management and logistics arrangement for the Group. Prior to joining the Group, he was the deputy general manager of Shishi City Yaofu Garment and Knitting Co., Ltd.* (石獅市耀富製衣織造有限公司) from June 1988 to September 2003.

Mr. He is a brother-in-law of Mr. Sze Tin Yau, an executive Director and a co-chairman of the Board.

Mr. Ye Jingping, aged 67, is a vice president of the Company and a senior engineer. He has over 38 years of experience in polyester filament yarns industry and is primarily responsible for our overall product manufacturing and research and development. He joined the Group in 2003. Prior to joining the Group, he was a technician, engineer, workshop manager and deputy general manager of Xiamen Chemical Polyester Factory* (廈門化纖廠) from August 1983 to May 2000. Mr. Ye graduated from the Faculty of Textile Chemical Engineering of East China Institute of Textile Engineering* (華東紡織工學院), currently known as Donghua University* (東華大學), majored in chemical fiber, in July 1983. Mr. Ye was accredited as the Model Worker in Quanzhou* (泉州市勞動模範) in April 2006 and as the advanced worker for technology development in light textile industry* (輕紡技術開發先進工作者) by Fujian Province Light Industry Bureau* (福建省輕工業廳) in 1993. He achieved the second award for science and technology progress* (科學進步成果二等獎) by his program named trial-manufacture of polyester lan cable* (滌綸網絡絲新產品試製) in 1988.

Mr. Wang Jinyu, aged 48, is a vice president of the Company. He has approximately 23 years of experience in polyester filament yarns industry. He participated in the operation of Billion Fujian since its establishment in 2003 and has been an assistant to the chairman since joining. Prior to joining the Group, he worked as the assistant to the chairman of the board of directors in Fujian Baikai Textile Chemical Fiber Industrial Co., Ltd.* (福建百凱紡織化纖實業有限公司) from March 2003 to October 2003. Mr. Wang worked as the head of the Public Relations Department of Jinxing (Fujian) Fiber Textile Industry Co., Ltd.* (錦興(福建)化纖紡織實業有限公司) from February 1998 to February 2003.

Directors and Senior Management

Mr. Law Hoi Ching, aged 44, joined the Group in July 2021 and is the chief financial officer, the company secretary and one of the authorized representatives of the Company. Mr. Law is a fellow and practising member of the Hong Kong Institute of Certified Public Accountants, a certified public accountant in Washington, D.C., the United States, and a member of each of the CPA Australia and the Hong Kong Institute of Chartered Secretaries. He is also a fellow member of the Institute of Chartered Accountants in England & Wales. Mr. Law holds a Bachelor of Business (Accounting) from Central Queensland University, a Master of Business Administration from University of South Australia and a Master of Corporate Governance from The Hong Kong Polytechnic University. Mr. Law held senior accounting positions in a number of companies listed on the Stock Exchange and has over 16 years of experience in auditing, taxation, accounting and financial management.

Mr. Xu Xiaofeng, aged 50, joined the Group in August 2004 and is the finance manager. Mr. Xu is primarily responsible for the daily finance-related work of the Group. Prior to joining the Group, he worked at the Finance Department of Fujian Jinjiang Hongyu Coating Knitting Co., Ltd.* (福建晉江鴻裕塗層織物有限公司) from October 1997 to June 2004. Mr. Xu obtained his diploma in banking accounting in June 1997 from Fuzhou University* (福州大學). He was also qualified as a Medium Level Accountant of the PRC in December 2003 and was qualified as a Senior Level Accountant of the PRC in September 2015.

* For identification purposes only

Report of the Directors

The Directors are pleased to present the annual report of the Company together with the audited financial statements of the Group for the year ended 31 December 2025.

Principal place of business

The Company is a company incorporated in the Cayman Islands and domiciled in Hong Kong, and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business at Unit 1501, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

Principal activity

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2025.

Business review

The business review of the Group as at 31 December 2025 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 17 to 41.

Compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with suppliers, customers and other stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year under review, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2025 are set out in note 13 to the consolidated financial statements of the Company.

Financial statements

A summary of the results, assets and liabilities of the Group for the year ended 31 December 2025, and the state of the Company's and the Group's affairs as at that date are set out in the Group's consolidated financial statements on pages 83 to 167.

Report of the Directors

Transfer to reserves

Profit attributable to shareholders, before dividends, of RMB643,196,000 (2024: profit of RMB747,901,000) has been transferred to reserves for the year ended 31 December 2025.

No interim dividend (2024: Nil) was paid for the six months ended 30 June 2025.

Reserves

Details of movements in reserves of the Group and the Company for the year ended 31 December 2025 are set out in the consolidated statement of changes in equity and note 26(a) to the consolidated financial statements of the Group, respectively.

Distributable reserves

As at 31 December 2025, the Company's reserves, including the share premium account but after offsetting the accumulated losses, available for distribution and calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"), amounted to approximately HK\$91,660,000. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Property, plant and equipment

During the year ended 31 December 2025, the Group held property, plant, equipment and other fixed assets of approximately RMB11,762,885,000. Details of the movements in fixed assets are set out in note 11 to the consolidated financial statements of the Group.

Major suppliers and customers

During the year ended 31 December 2025, the aggregate sales attributable to the Group's five largest customers accounted for approximately 19.1% of the Group's total sales and the sales attributable to the Group's largest customer accounted for approximately 7.8% of the Group's total sales. During the year ended 31 December 2025, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 31.8% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 12.2% of the Group's total purchases.

So far as is known to the Directors, other than those disclosed in "Connected transactions and related party transactions" section in this report, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

Charitable donations

Charitable and other donations made by the Group during the year ended 31 December 2025 amounted to approximately RMB129,000 (2024: approximately RMB268,000).

Report of the Directors

Share capital

Details of the movement in share capital of the Company during the year ended 31 December 2025 are set out in note 26(a) to the consolidated financial statements of the Group.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

Purchase, sale or redemption of the Company's shares

During the year ended 31 December 2025, the Company bought back a total of 4,406,000 shares on the Stock Exchange. The 3,100,000 bought-back shares were cancelled during the year ended 31 December 2025, and the remaining 1,306,000 bought-back shares were cancelled subsequently in January 2026. The details of the bought-back shares are as follows:

Date	Number of bought-back shares	Price per share or highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate price paid (HK\$)
January 2025	6,000	4.35	4.35	26,100
March 2025	42,000	4.38	4.20	178,360
April 2025	130,000	4.60	4.10	548,780
May 2025	106,000	4.70	4.17	467,880
June 2025	900,000	4.60	4.27	4,044,860
July 2025	1,916,000	4.50	4.25	8,613,740
September 2025	656,000	4.40	4.17	2,829,980
October 2025	456,000	4.70	4.22	1,991,040
November 2025	108,000	4.92	4.61	515,220
December 2025	86,000	5.00	4.57	402,100
Total	4,406,000			19,618,060

Report of the Directors

The purchase of the Company's shares during the year ended 31 December 2025 was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting the shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the year ended 31 December 2025 (including sale of treasury shares (as defined under the Listing Rules)). As of 31 December 2025, the Company did not hold any treasury shares.

There have been no options, awards, convertible securities or similar rights or arrangements, issued or granted by the Group during the year ended 31 December 2025 and as at the date of this report.

Results and dividends

The results of the Group for the year ended 31 December 2025 are set out in the consolidated financial statements of the Group.

The Directors propose to recommend the payment of a final dividend of HK10.0 cents per share for the year ended 31 December 2025 to the shareholders whose names appear on the register of members of the Company on 22 May 2026, and the payment of final dividends will be in cash.

The final dividend of HK10.0 cents per share is subject to approval by the shareholders at the AGM. Such dividend will be distributed from the share premium of the Company. In the opinion of the Directors, such distribution is in compliance with the articles of association adopted by the Company, which states that dividend may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of a special resolution dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law; subject to the provisions of its Memorandum of Association or Articles of Association and provided that immediately following the distribution or paying of dividend the Company will be able to pay its debts as they fall due in the ordinary course of business.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 168 of this annual report. Such summary does not form part of the audited financial statements.

Report of the Directors

Directors

The Directors during the year ended 31 December 2025 and up to the date of this annual report are as follows:

Executive Directors

Mr. Sze Tin Yau (*Co-chairman*)

Mr. Wu Jinbiao (*Chief Executive Officer*)

Ms. Shi Haiyan (retired on 23 May 2025 and appointed with effect from 30 June 2025)

Non-executive Director

Mr. Zhang Shengbai (*Co-chairman*)

Independent non-executive Directors

Mr. Yu Wai Ming

Mr. Shih Chun Pi

Mr. Lin Jian Ming

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and renewable automatically upon expiration until terminated by either party giving to the other not less than one month's notice in writing or in accordance with the terms set out in the respective service contracts. The service contracts of Mr. Sze Tin Yau and Mr. Wu Jinbiao commenced on 18 May 2011. The service contract of Ms. Shi Haiyan commenced on 31 December 2024. She retired as an executive Director with effect from 23 May 2025 and was subsequently re-appointed as an executive Director of the Company with effect from 30 June 2025. Therefore, the new service contract of Ms. Shi Haiyan commenced on 30 June 2025.

The non-executive Director, Mr. Zhang Shengbai, has signed a letter of appointment with the Company for a term of three years commencing on 18 May 2019, subject to renewal upon re-election at annual general meeting.

The independent non-executive Directors, Mr. Yu Wai Ming and Mr. Shih Chun Pi, have signed a letter of appointment with the Company for a term of three years, subject to renewal upon re-election at annual general meeting. The letter of appointment of Mr. Yu Wai Ming commenced on 11 January 2022. The letter of appointment of Mr. Shih Chun Pi commenced on 28 December 2018, subject to renewal upon re-election at annual general meeting. The independent non-executive Director, Mr. Lin Jian Ming, has signed a letter of appointment with the Company for a term of one year. The letter of appointment of Mr. Lin Jian Ming commenced on 18 May 2019, subject to renewal upon re-election at annual general meeting. The letters of appointment may be terminated by one month's notice in writing by the non-executive Directors or the independent non-executive Directors of the Company or in accordance with the terms set out in the respective letters of appointment.

In accordance with article 84 of the Articles of Association, Ms. Shi Haiyan, Mr. Zhang Shengbai, Mr. Yu Wai Ming and Mr. Lin Jian Ming will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

No Director who is proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Report of the Directors

Remuneration of Directors and senior management

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors and the senior management of the Company. The remuneration of all the Directors and the senior management is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2025 is set out below:

Remuneration bands	Number of employees
Nil to HK\$1,000,000	6

Details of the Directors' remuneration and individuals with highest emoluments are set out in note 9 to the consolidated financial statements.

Directors' and senior management's biographical details

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

Directors' interests in competing business

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2025 and up to and including the date of this annual report.

Directors' rights to purchase shares or debentures

At no time during the year ended 31 December 2025 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, nor were there any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Report of the Directors

Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations

As at 31 December 2025, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital ⁽³⁾
Mr. Sze Tin Yau ⁽¹⁾	Interest in controlled corporation	643,720,000	30.47%
Mr. Wu Jinbiao ⁽²⁾	Interest in controlled corporation	136,820,000	6.48%

Notes:

- (1) Mr. Sze Tin Yau owned 100% of the issued shares of Kingom Power Limited (“Kingom Power”), which directly owned 643,720,000 shares of the Company. Accordingly, Mr. Sze Tin Yau was deemed to be interested in all the shares of the Company owned by Kingom Power by virtue of the SFO.
- (2) Mr. Wu Jinbiao owned 100% of the issued shares of Winwett Investments Limited, which directly owned 136,820,000 shares of the Company. Accordingly, Mr. Wu Jinbiao was deemed to be interested in all the shares of the Company owned by Winwett investments Limited by virtue of the SFO.
- (3) Based on a total of 2,112,452,000 issued shares of the Company as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Report of the Directors

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2025, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 under section 336 of the SFO:

Name of Director	Nature of interest	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital ⁽⁴⁾
Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An")	Beneficial owner	780,190,808	36.93%
CECEP Chongqing Industry Co., Ltd. ("CECEP Chongqing") ⁽¹⁾	Interest in controlled corporation	780,190,808	36.93%
CECEP Energy Conservation Technology Co., Ltd. ("CECEP Technology") ⁽²⁾	Interest in controlled corporation	780,190,808	36.93%
China Energy Conservation and Environmental Protection Group ("CECEP") ⁽³⁾	Interest in controlled corporation	780,190,808	36.93%
Kingom Power Limited ("Kingom Power")	Beneficial owner	643,720,000	30.47%
Winwett Investments Limited	Beneficial owner	136,820,000	6.48%
Mr. Huang Shaorong	Beneficial owner	19,425,000	0.92%
	Interest in controlled corporation	188,532,000	8.92%
Ever Luxuriant Global Trading Limited	Beneficial owner	188,532,000	8.92%
Mr. Lin Haibin	Beneficial owner	27,723,000	1.31%
	Nominee for another person (other than a bare trustee)	166,706,000	7.89%

Report of the Directors

Name of Director	Nature of interest	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital ⁽⁴⁾
Haibin International Investments Limited	Beneficial owner	170,140,000	8.05%
Export – Import Bank of China	Person having a security interest in shares	300,000,000	14.20%

Notes:

- (1) CECEP Chongqing owned 100% of the issued share capital of Hong Kong Rong An, and was thus deemed to be interested in all shares of the Company that Hong Kong Rong An was interested in under the SFO.
- (2) CECEP Chongqing was a non-wholly-owned subsidiary of CECEP Technology. CECEP Technology was therefore deemed to be interested in all shares of the Company that CECEP Chongqing was interested in under the SFO.
- (3) CECEP Technology was a wholly-owned subsidiary of CECEP. CECEP was therefore deemed to be interested in all shares of the Company that CECEP Technology was interested in under the SFO.
- (4) Base on a total of 2,112,452,000 issued shares of the Company as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, the Directors were not aware of any other person who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 under section 336 of the SFO.

Emolument policies

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

Permitted indemnity

Pursuant to the Articles of Association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year under review. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Report of the Directors

Share schemes

During the year ended 31 December 2025, the Company did not have any share option scheme or share award scheme.

Retirement scheme

The Group operates a Mandatory Provident Fund Scheme (“**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees’ relevant income to the scheme, subject to a cap of monthly relevant income of HK\$30,000. Contributions made to the scheme are vested immediately.

Employees of the subsidiaries of the Group in the PRC and Vietnam participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of salaries to these schemes to pay the benefits. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the year ended 31 December 2025, the Group’s total contributions to the retirement schemes charged in the consolidated income statement amounted to RMB27,707,000 (2024: RMB30,876,000).

Details of the Group’s pension scheme are set out in note 7(b) to the consolidated financial statements of the Group.

Connected transactions and related party transactions

(A) Connected transactions – continuing connected transactions

During the year ended 31 December 2025, the Group entered into the following continuing connected transactions which are subject to the reporting and annual review requirements set out in Chapter 14A of the Listing Rules.

Details of the continuing connected transactions are set out below:

(a) Sales of DTY, FDY and POY by Billion Fujian to Fujian Baikai Elastic Weaving Co., Ltd.* (福建省百凱彈性織造有限公司) (“Baikai Elastic Weaving”)

During the year ended 31 December 2025, pursuant to a sales agreement entered into between Billion Fujian and Baikai Elastic Weaving on 6 December 2024, Billion Fujian agreed to provide DTY, FDY and POY to Baikai Elastic Weaving, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Elastic Weaving during the same period.

Report of the Directors

Baikai Elastic Weaving is a wholly foreign-owned subsidiary of Baikai (HK) Industrial Limited (百凱(香港)實業有限公司) (“**Baikai H.K.**”) which in turn is wholly-owned by Mr. Lin Jinjing (“**Mr. Lin**”) who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Elastic Weaving and is the sole director of Baikai Elastic Weaving. Accordingly, Baikai Elastic Weaving is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, sales to Baikai Elastic Weaving by Billion Fujian amounted to approximately RMB12,166,000.

(b) Sales of DTY and FDY by Billion Fujian to Fujian Baikai Wrap Knitting Industry Co., Ltd.* (福建省百凱經編實業有限公司) (“Baikai Wrap Knitting”)

During the year ended 31 December 2025, pursuant to a sales agreement entered into between Billion Fujian and Baikai Wrap Knitting on 6 December 2024, Billion Fujian agreed to provide DTY and FDY to Baikai Wrap Knitting, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Wrap Knitting during the same period.

Baikai Wrap Knitting is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Wrap Knitting and is the sole director of Baikai Wrap Knitting. Accordingly, Baikai Wrap Knitting is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, sales to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB1,697,000.

(c) Sales of semidull PET chips, POY and spin finish oil by Billion Fujian to Fujian Baikai Textile Chemical Fiber Industry Co., Ltd.* (福建百凱紡織化纖實業有限公司) (“Baikai Textile”)

During the year ended 31 December 2025, pursuant to a sales agreement entered into between Billion Fujian and Baikai Textile on 6 December 2024, Billion Fujian agreed to provide PET chips, POY and spin finish oil to Baikai Textile, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Textile during the same period.

Report of the Directors

Baikai Textile is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Textile and is the sole director of Baikai Textile. Accordingly, Baikai Textile is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, sales to Baikai Textile by Billion Fujian amounted to approximately RMB72,631,000.

(d) Sales of DTY by Billion Fujian to Fujian Baikai Zipper Dress Co., Ltd.* (福建省百凱拉鏈服飾有限公司) (“Baikai Zipper”)

During the year ended 31 December 2025, pursuant to a revised sales agreement entered into between Billion Fujian and Baikai Zipper on 6 December 2024, Billion Fujian agreed to provide DTY to Baikai Zipper, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Zipper during the same period.

Baikai Zipper is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Zipper and is the sole director of Baikai Zipper. Accordingly, Baikai Zipper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, no sales were made to Baikai Zipper by Billion Fujian.

(e) Sales of DTY and FDY by Billion Vietnam to Baikai Industry (Viet Nam) Co., Ltd. (百凱實業(越南)有限公司) (“Baikai Vietnam”)

During the year ended 31 December 2025, pursuant to a sales agreement entered into between Baikai Vietnam and Billion Vietnam on 6 December 2024, Billion Vietnam agreed to provide DTY and FDY to Baikai Vietnam, at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Vietnam conducts with other independent parties of similar scale to Baikai Vietnam during the same period.

Baikai Vietnam is a wholly foreign-owned subsidiary of Baikai Wrap Knitting, which in turn is wholly-owned by Mr. Lin Jinjing, the brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Since Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Wrap Knitting, Baikai Wrap Knitting and its wholly-owned subsidiary, Baikai Vietnam, are associates of Mr. Sze Tin Yau and Mr. Wu Jinbiao under Chapter 14A of the Listing Rules. Accordingly, Baikai Vietnam is a connected person of the Company.

Report of the Directors

For the year ended 31 December 2025, sales to Baikai Vietnam by Billion Vietnam amounted to approximately RMB5,340,000.

The total sales for the year ended 31 December 2025 in respect of the connected transactions referred to in sub-paragraphs (a), (b), (c), (d) and (e) combined amounted to approximately RMB91,834,000, which did not exceed the annual cap of RMB342,000,000 as disclosed in the circular of the Company dated 6 December 2024.

(f) Provision of paper boxes and rolls and related processing services by Fujian Baikai Paper Co., Ltd.* (福建百凱紙品有限公司) (“Baikai Paper”) to Billion Fujian and Billion High-tech

During the year ended 31 December 2025, pursuant to a purchase agreement and a processing agreement both entered into between Billion Fujian and Baikai Paper on 6 December 2024, Baikai Paper agreed to provide paper boxes, rolls, polyfoam boards and cardboards and related processing services to Billion Fujian, under each case at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Fujian conducts with other independent parties of similar scale to Baikai Paper during the same period.

During the year ended 31 December 2025, pursuant to a purchase agreement and a processing agreement both entered into between Billion High-tech and Baikai Paper on 6 December 2024, Baikai Paper agreed to provide paper boxes and rolls and related processing services to Billion High-tech, under each case at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion High-tech conducts with other independent parties of similar scale to Baikai Paper during the same period.

Baikai Paper is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Paper and is a director of Baikai Paper. Accordingly, Baikai Paper is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, sales to Billion Fujian and Billion High-tech by Baikai Paper amounted to approximately RMB111,575,000 and RMB28,742,000 respectively.

(g) Purchase of paper boxes, rolls and polyfoam boards by Billion Vietnam from Baikai Vietnam

During the year ended 31 December 2025, pursuant to a purchase agreement entered into between Baikai Vietnam and Billion Vietnam on 6 December 2024, Baikai Vietnam agreed to provide paper boxes, rolls and polyfoam boards to Billion Vietnam, under each case at a price to be agreed between the parties from time to time as a fair price after negotiation according to normal commercial practice and the principle of fairness and reasonableness. Such price shall be comparable to prices of similar transactions that Billion Vietnam conducts with other independent parties of similar scale to Baikai Vietnam during the same period.

Baikai Vietnam is a wholly foreign-owned subsidiary of Baikai Wrap Knitting, which in turn is wholly-owned by Mr. Lin Jinjing, the brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Since Mr. Lin controls the exercise of 100% of the voting power at general meetings and is the sole director of Baikai Wrap Knitting, Baikai Wrap Knitting and its wholly-owned subsidiary, Baikai Vietnam, are associates of Mr. Sze Tin Yau and Mr. Wu Jinbiao. Accordingly, Baikai Vietnam is a connected person of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, sales to Billion Vietnam by Baikai Vietnam amounted to approximately RMB48,671,000.

The total purchase for the year ended 31 December 2025 in respect of the connected transactions referred to in sub-paragraphs (f) and (g) combined amounted to RMB188,988,000, which is within the annual cap of RMB342,000,000 as disclosed in the circular of the Company dated 6 December 2024.

(h) Supply of Electricity by Billion Fujian to Baikai Wrap Knitting

During the year ended 31 December 2025, pursuant to an electricity supply agreement entered into between Billion Fujian and Baikai Wrap Knitting on 6 December 2024, Billion Fujian supplied electricity to Baikai Wrap Knitting at a unit price which shall be calculated based on such price of electricity as prescribed by the relevant governmental authorities plus RMB0.018 per KWh.

Baikai Wrap Knitting is a wholly foreign-owned subsidiary of Baikai H.K. which in turn is wholly-owned by Mr. Lin who is a brother-in-law of both Mr. Sze Tin Yau and Mr. Wu Jinbiao, both being executive Directors. Mr. Lin controls the exercise of 100% of the voting power at general meetings of Baikai Wrap Knitting and is the sole director of Baikai Wrap Knitting. Accordingly, Baikai Wrap Knitting is an associate of Mr. Sze Tin Yau and Mr. Wu Jinbiao, and therefore a connected person of the Company under the Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, sales of electricity to Baikai Wrap Knitting by Billion Fujian amounted to approximately RMB41,128,000, which did not exceed the approved cap of RMB65,000,000 as disclosed in the Company's announcement dated 6 December 2024.

Report of the Directors

Confirmations from independent non-executive Directors and auditors of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of the business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company, Forvis Mazars CPA Limited, to perform certain agreed-upon procedures on the continuing connected transactions.

Based on the work performed, the auditors of the Company provided a letter to the Board confirming that the aforesaid continuing connected transactions:

- (i) have been approved by the board of directors;
- (ii) were, in all material aspects, entered into in accordance with the pricing policies of the Company;
- (iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and
- (iv) did not exceed the annual caps for the year ended 31 December 2025.

(B) Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 29 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described above in the paragraphs headed “(A) Connected transactions – continuing connected transactions”, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Directors’ interests in contracts of significance

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

Report of the Directors

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 year ended 31 December 2025.

Contracts with controlling shareholders

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2025.

Sufficiency of public float

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2025 and the subsequent period ended the date of this report.

Bank loans

Details of bank loans of the Group as at 31 December 2025 are set out in note 22 to the consolidated financial statements of the Group.

Audit committee

The audit committee of the Company had reviewed, together with the management, the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2025. The audit committee of the Company has also met and discussed with the Group's external auditor regarding the Group's audit and financial reporting matters.

Auditors

The consolidated financial statements for the year ended 31 December 2025 have been audited by Forvis Mazars. Forvis Mazars shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the reappointment of Forvis Mazars as the auditor of the Company is to be proposed at the AGM.

Report of the Directors

Dividend policy

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the articles of association of the Company. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

Dividend

The Board has recommended the payment of a final dividend of HK10.0 cents per share of the Company for the year ended 31 December 2025. The proposed final dividend, if approved by the shareholders at the annual general meeting, will be paid to the shareholders whose names appear on the register of members of the Company on 22 May 2026.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 12 May 2026 to Friday, 15 May 2026 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming AGM. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 May 2026.

Further, the register of members of the Company will be closed from Thursday, 21 May 2026 to Friday, 22 May 2026 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 20 May 2026.

Subject to shareholders' approval of the proposed final dividend at the AGM, the relevant dividends will be paid on or around Tuesday, 9 June 2026, to shareholders whose names appear on the register of members of the Company on Friday, 22 May 2026.

On behalf of the Board

Sze Tin Yau
Co-chairman

Hong Kong, 16 March 2026

* For identification purpose only

Independent Auditor's Report



FORVIS MAZARS CPA LIMITED

富睿瑪澤會計師事務所有限公司

42nd Floor, Central Plaza

18 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道18號中環廣場42樓

Tel 電話: (852) 2909 5555

Fax 傳真: (852) 2810 0032

Email 電郵: info.hk@forvismazars.com

Website 網址: www.forvismazars.com/hk

To the members of Billion Industrial Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Billion Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out on pages 83 to 167, which comprise the consolidated statement of financial position at 31 December 2025, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 financial position of the Group at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities, and we have 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 judgement, 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 matter	How our audit addressed the key audit matter
Revenue recognition The Group enters into a sales agreement with each customer and sells its goods according to the terms of separate purchase orders. The Group recognises revenue from domestic sales when the customers have received and accepted the goods. The Group recognises revenue from export sales when the control of ownership of the goods has been transferred to the buyer which is generally considered to be when the goods are loaded on board a shipping vessel in line with contractual arrangements and related agreed commercial shipping terms. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and may be subject to risk of manipulation by management/employee to achieve expectations or targets. Related disclosures are included in Notes 2 and 4 to the consolidated financial statements.	Our key audit procedures, among others, included: a) obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to revenue recognition; b) inspecting contracts of key customers to identify terms and conditions relating to goods acceptance and the right of return and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards; c) comparing, on a sample basis, revenue transactions recorded before and after the financial reporting period end date with signed goods delivery notes and shipping documents (as appropriate) to assess whether the revenue had been recognised in the appropriate financial reporting period; d) inspecting, on a sample basis, credit notes issued subsequent to the financial reporting period end to assess whether necessary accounting adjustments are made in the appropriate financial reporting period; e) inspecting, on a sample basis, underlying documentation for journal entries made during the financial reporting period relating to revenue; and f) selecting, on a sample basis, sales transactions recorded during the financial reporting period and comparing the details to goods delivery notes (for domestic sales) and shipping documents, which included bills of lading (for export sales) and confirming the sales transactions with customers through direct confirmations on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the 2025 Annual Report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report

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 judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

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

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

We also provide those charged with governance 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 those charged with governance, 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.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, 16 March 2026

The engagement director on the audit resulting in this independent auditor's report is:

She Shing Pang

Practising Certificate number: P05510

Consolidated Income Statement

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Revenue	4	18,049,176	20,631,678
Cost of sales		(16,612,741)	(19,059,332)
Gross profit		1,436,435	1,572,346
Other revenue	5	319,552	441,881
Other net losses	6	(28,341)	(95)
Selling and distribution expenses		(231,022)	(279,109)
Administrative expenses		(675,845)	(763,936)
Profit from operations		820,779	971,087
Finance costs	7	(108,515)	(132,486)
Profit before tax	7	712,264	838,601
Income tax expenses	8	(69,068)	(90,700)
Profit for the year attributable to owners of the Company		643,196	747,901
Earnings per share	10		
Basic and diluted (RMB)		0.30	0.35

Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Profit for the year attributable to owners of the Company	643,196	747,901
Other comprehensive (loss) income:		
<i>Item that will not be reclassified to profit or loss</i>		
Translation of the Company's financial statements into presentation currency	(2,868)	2,804
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	(113,923)	19,003
Total other comprehensive (loss) income for the year	(116,791)	21,807
Total comprehensive income for the year attributable to owners of the Company	526,405	769,708

Consolidated Statement of Financial Position

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	11	11,762,885	12,128,369
Intangible assets	12	4,364	4,468
Equity Investments – Designated FVOCI	14	35,820	35,820
Deposits and prepayments	16	294,492	141,336
Time deposits with original maturity of more than three months	19	499,000	–
		12,596,561	12,309,993
Current assets			
Inventories	15	5,706,249	5,314,738
Trade and other receivables	16	2,013,724	4,257,385
Financial assets at FVPL	17	65,503	15,791
Restricted bank deposits	18	4,900,192	6,089,347
Cash and bank balances	19	358,916	227,528
		13,044,584	15,904,789
Current liabilities			
Trade and other payables	20	11,462,230	15,810,267
Contract liabilities	21	271,039	302,764
Bank loans	22	2,091,636	501,852
Lease liabilities	23	321	879
Tax payables		64,227	111,780
		13,889,453	16,727,542
Net current liabilities		(844,869)	(822,753)
Total assets less current liabilities		11,751,692	11,487,240

Consolidated Statement of Financial Position

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Bank loans	22	–	281,952
Lease liabilities	23	2,695	3,377
Deferred tax liabilities	24	224,270	212,318
Deferred income	25	21,933	–
		248,898	497,647
NET ASSETS		11,502,794	10,989,593
Capital and reserves			
Share capital	26	17,764	17,791
Reserves		11,485,030	10,971,802
TOTAL EQUITY		11,502,794	10,989,593

The consolidated financial statements on pages 83 to 167 were approved and authorised for issue by the Board of Directors on 16 March 2026 and signed on its behalf by

Sze Tin Yau
Director

Wu Jinbiao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Reserves								Total equity RMB'000
	Share capital RMB'000 (Note 26(c)(i))	Share premium RMB'000 (Note 26(d)(i))	Capital redemption reserve RMB'000 (Note 26(d)(ii))	Statutory reserve RMB'000 (Note 26(d)(iii))	Capital reserve RMB'000 (Note 26(d)(iv))	Exchange reserve RMB'000 (Note 26(d)(v))	Retained profits RMB'000	Total reserves RMB'000	
At 1 January 2024	17,816	71,721	1,517	942,479	1,805,631	(143,819)	7,535,915	10,213,444	10,231,260
Profit for the year	-	-	-	-	-	-	747,901	747,901	747,901
Other comprehensive income:									
Item that will not be reclassified to profit or loss									
Translation of the Company's financial statements into presentation currency	-	-	-	-	-	2,804	-	2,804	2,804
Item that may be reclassified subsequently to profit or loss									
Exchange difference on consolidation	-	-	-	-	-	19,003	-	19,003	19,003
Total other comprehensive income	-	-	-	-	-	21,807	-	21,807	21,807
Total comprehensive income for the year	-	-	-	-	-	21,807	747,901	769,708	769,708
Transactions with owners:									
Contributions and distributions									
Purchase of own shares (Note 26(c)(ii))									
- par value paid	(25)	-	-	-	-	-	-	-	(25)
- premium paid	-	(11,350)	-	-	-	-	-	(11,350)	(11,350)
- transfer between reserves	-	(25)	25	-	-	-	-	-	-
Appropriation of statutory reserve	-	-	-	68,102	-	-	(68,102)	-	-
Total transactions with owners	(25)	(11,375)	25	68,102	-	-	(68,102)	(11,350)	(11,375)
At 31 December 2024	17,791	60,346	1,542	1,010,581	1,805,631	(122,012)	8,215,714	10,971,802	10,989,593
At 1 January 2025	17,791	60,346	1,542	1,010,581	1,805,631	(122,012)	8,215,714	10,971,802	10,989,593
Profit for the year	-	-	-	-	-	-	643,196	643,196	643,196
Other comprehensive loss:									
Item that will not be reclassified to profit or loss									
Translation of the Company's financial statements into presentation currency	-	-	-	-	-	(2,868)	-	(2,868)	(2,868)
Item that may be reclassified subsequently to profit or loss									
Exchange difference on consolidation	-	-	-	-	-	(113,923)	-	(113,923)	(113,923)
Total other comprehensive loss	-	-	-	-	-	(116,791)	-	(116,791)	(116,791)
Total comprehensive income for the year	-	-	-	-	-	(116,791)	643,196	526,405	526,405
Transactions with owners:									
Contributions and distributions									
Purchase of own shares (Note 26(c)(iii))									
- par value paid	(27)	-	-	-	-	-	-	-	(27)
- premium paid	-	(13,177)	-	-	-	-	-	(13,177)	(13,177)
- transfer between reserves	-	(27)	27	-	-	-	-	-	-
Appropriation of statutory reserve	-	-	-	60,575	-	-	(60,575)	-	-
Total transactions with owners	(27)	(13,204)	27	60,575	-	-	(60,575)	(13,177)	(13,204)
At 31 December 2025	17,764	47,142	1,569	1,071,156	1,805,631	(238,803)	8,798,335	11,485,030	11,502,794

Consolidated Cash Flow Statement

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	19(b)	(991,104)	947,892
Income tax paid		(104,365)	(26,738)
Net cash (used in) from operating activities		(1,095,469)	921,154
INVESTING ACTIVITIES			
Dividend from Equity Investments – Designated FVOCI		1,378	–
Purchase of property, plant and equipment, excluding construction in progress		(24,553)	(19,231)
Proceeds from disposal of property, plant and equipment		187	1,693
Purchase of intangible assets		(1,429)	–
Expenditure on construction in progress		(725,922)	(158,860)
Purchase of Equity Investments – Designated FVOCI	14	–	(35,820)
Investments in unlisted wealth management products		(1,519,300)	(30,000)
Proceeds from disposal of unlisted wealth management products		1,469,300	30,000
Withdrawal of restricted bank deposits		2,375,216	2,277,338
Placement of restricted bank deposits		(1,186,099)	(2,979,780)
Withdrawal of time deposits with original maturity over three months		320,300	–
Placement of time deposits with original maturity over three months		(819,300)	–
Interest received		143,029	129,482
Net cash from (used in) investing activities		32,807	(785,178)
FINANCING ACTIVITIES			
Capital element of lease rentals paid	19(c)	(309)	(373)
Interest element of lease rentals paid	19(c)	(148)	(216)
Payment for repurchase of shares	26(c)(iii)	(13,204)	(11,375)
Proceeds from new bank loans	19(c)	9,319,000	2,052,800
Repayment of bank loans	19(c)	(8,011,117)	(1,969,689)
Interest paid	19(c)	(103,748)	(138,095)
Net cash from (used in) financing activities		1,190,474	(66,948)
Net increase in cash and cash equivalents		127,812	69,028
Cash and cash equivalents at the beginning of the reporting period		227,528	158,138
Effect of foreign exchange rate changes, net		3,576	362
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances	19(a)	358,916	227,528

Notes to the Consolidated Financial Statements

Year ended 31 December 2025

1. GENERAL INFORMATION

Billion Industrial Holdings Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) was incorporated in the Cayman Islands on 25 November 2010, as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 May 2011. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of the 2025 Annual Report.

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products. The principal activities of its subsidiaries are set out in Note 13 to the consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial statements are presented in Renminbi (“RMB”) as the functional currency of the Group’s major operating subsidiaries is RMB. All amounts have been rounded to the nearest thousand, unless otherwise stated.

A summary of the significant accounting policies adopted by the Group is set out below.

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for financial assets at fair value through profit or loss (“FVPL”) and equity investments at fair value through other comprehensive income (“Equity Investments – Designated FVOCI”) which are stated at fair value.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2024 consolidated financial statements except for the adoption of the new/ revised HKFRS Accounting Standards that are relevant to the Group and effective from the current financial reporting period as detailed below.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Going concern

At 31 December 2025, the Group recorded net current liabilities of approximately RMB844,869,000 (2024: approximately RMB822,753,000). Based on the estimation of the future cash flows of the Group, after taking into account of (i) the bank balances and cash at 31 December 2025; and (ii) the confirmed and indicated credit commitments from financial institutions, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its normal operation and meet the obligation for its liabilities for the twelve months from the end of the reporting period of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Adoption of new/revised HKFRS Accounting Standards

The Group has applied, for the first time, the following revised HKFRS Accounting Standard that is relevant to the Group:

Amendments to HKAS 21	Lack of Exchangeability
-----------------------	-------------------------

Amendments to HKAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

A summary of material accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any recognised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as recognised gains but only to the extent that there is no evidence of impairment.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Subsidiaries (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position which is presented within these notes, the investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (if any). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

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. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings situated on leasehold land	Shorter of the unexpired terms of lease and their estimated useful lives, being no more than 30 years after the date of completion except for the commercial buildings situated in Hong Kong with estimated useful life of 40 years
Leasehold land	Over the unexpired terms of lease
Plant and machinery	3 to 18 years
Office and other equipment	2 to 18 years
Motor vehicles	3 to 10 years

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is included under property, plant and equipment and stated at cost less any impairment losses. The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs.

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use and transferred to the appropriate categories of property, plant and equipment.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the estimated useful lives of the assets. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Emission rights of nitrogen oxides	5 years
Software	10 years

Both the useful life of the intangible assets and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control of the financial asset.

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.

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 the financial asset to the extent its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at FVOCI; (iii) Equity Investments – Designated FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, restricted bank deposits and cash and cash equivalents.

2) Equity Investments – Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

The Group's Equity Investments – Designated FVOCI include unlisted equity investment in a private entity incorporated in the People's Republic of China (the "PRC").

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

3) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets measured at FVPL include unlisted wealth management products and contracts for financial instruments at FVPL.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, contract liabilities, bank loans and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss (excluding interest expenses) recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss.

A financial liability is classified as held for trading if it is:

- (i) incurred principally for the purpose of repurchasing it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial liabilities are designated at initial recognition as at FVPL only if:

- (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
- (ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement (Continued)

- (iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost (including trade and other receivables, restricted bank deposits and cash and cash equivalents).

Financial assets measured at fair value including other financial assets are not subject to the ECL assessment.

Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs under simplified approach of ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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 the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (i) 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); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, 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.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for which the Group has reasonable and supportable information to demonstrate that previous non-payments were an administrative oversight, instead of resulting from financial difficulty of the borrower, or that there is no correlation between significant increases in the risk of a default occurring and financial assets on which payments are more than 30 days past due, but that evidence does identify such a correlation when payments are more than 60 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral
- (iv) industry of debtors

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Significant increases in credit risk (Continued)

- (v) geographical location of debtors
- (vi) external credit risk ratings

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Credit-impaired financial asset

At the end of the reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Credit-impaired financial asset (Continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue from contracts with customers within HKFRS 15

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Nature of goods or services

The nature of the goods or services provided by the Group is sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of the Group's products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Transaction price: significant financing components

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of the Group, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation with a foreign currency other than RMB, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (other than goodwill)

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets and construction in progress;
- intangible assets; and
- investments in subsidiaries in the statement of financial position of the Company.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Research and development expenditure

Research and development expenditure comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are credited to a deferred income account and are released to profit or loss over the useful life of the relevant asset by equal annual instalments.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the period in which they are incurred.

The right-of-use asset (as presented within “property, plant and equipment”) recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

As a lessee (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	Over the unexpired terms of lease
Buildings leased for own use	10 to 20 years

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in other property, plant and equipment and presents lease liabilities separately in the statement of financial position.

Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Short-term employee benefits and contributions to defined contribution retirement plans (Continued)

The contributions recognised in respect of pension scheme are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature. The Group participates in the pension scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”) which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- (i) in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- (ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies: (Continued)
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRS Accounting Standards

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRS Accounting Standards that are not yet effective for the current financial reporting period, which the Group has not early adopted.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁽¹⁾
Annual Improvements to HKFRS Accounting Standards	Volume 11 ⁽¹⁾
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ⁽¹⁾
HKFRS 18	Presentation and Disclosure in Financial Statements ⁽²⁾
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁽²⁾
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽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⁾ The effective date to be determined

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 “Presentation and Disclosure in Financial Statements”, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 “Presentation of Financial Statements”. HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of HKFRS 18 may affect the presentation of the consolidated income statement, the consolidated statement of comprehensive income and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group’s consolidated financial statements.

Except for above, the management of the Group does not anticipate that the adoption of the new/revised HKFRS Accounting Standards in future reporting periods will have any material impact on the financial performance and financial position of the Group.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

(a) Useful lives of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The management of the Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation for future periods are adjusted prospectively if there are significant changes from previous estimates.

(b) Loss allowances for ECL on trade and other receivables

The management of the Group estimates the loss allowances for ECL on trade and other receivables by the use of estimates and judgements. The management of the Group has established a loss allowance based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current conditions and forecasts of future conditions at the reporting date. Loss allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the loss allowance in the period in which such estimate is changed. The management of the Group keeps assessing the ECL of trade and other receivables during their expected lives.

Notes to the Consolidated Financial Statements

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT (CONTINUED)

Key sources of estimation uncertainty (Continued)

(c) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The management of the Group reassesses these estimates at the end of each reporting period.

(d) *Fair value measurement of Equity Investments - Designated FVOCI*

The fair value of Equity Investments – Designated FVOCI that is not traded in active market is estimated by the management of the Group based on the adjusted market approach with reference to the valuation report prepared by an independent professional valuer. Valuation techniques include inputs that are not based on observable market data and require the management of the Group to make judgement on the assumptions made in the valuation assessment.

Critical judgements made in applying accounting policies

(a) *Determining the lease term*

The lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the management of the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future reporting periods.

Notes to the Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and sales of polyester filament yarns products, polyester products*, polyester industrial yarns products and ES fiber products. The Group has only one reportable operating segment. The Group's most senior executive management reviews the Group as a whole and internal reports including only revenue analysis by product types and no other discretionary information are prepared for resource allocation and performance assessment. Therefore, no operating segment information is presented.

Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts). Disaggregation of revenue from contracts with customers by major products is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
<u>Disaggregated by major product lines</u>		
Polyester filament yarns products	6,878,052	8,902,208
Polyester products*	9,143,696	9,956,035
Polyester industrial yarns products	1,884,157	1,657,624
ES fiber products	143,271	115,811
	18,049,176	20,631,678
<u>Disaggregated by geographical location of customers</u>		
The PRC	12,968,294	14,900,336
Vietnam	1,058,963	1,126,001
Others	4,021,919	4,605,341
	18,049,176	20,631,678

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's aggregate revenue for the years ended 31 December 2025 and 2024.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time during the years ended 31 December 2025 and 2024.

* Polyester products represent BOPET thin films, polyester bottle chips, polyester films and wasted filament generated during the production process.

Notes to the Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment (including right-of-use assets), intangible assets and deposits and prepayments ("Specified Non-current Assets"). The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets or the location of operation.

Location of the Specified Non-current Assets

	2025 RMB'000	2024 RMB'000
The PRC	9,806,255	9,749,612
Vietnam	2,217,272	2,484,071
Hong Kong	38,214	40,490
	12,061,741	12,274,173

5. OTHER REVENUE

	2025 RMB'000	2024 RMB'000
Bank interest income	177,505	187,027
Dividend from Equity Investments – Designated FVOCI (Note 14)	1,378	–
Interest from unlisted wealth management products	216	–
Government grants (Note)	103,162	209,953
Sales of raw materials	33,956	43,741
Others	3,335	1,160
	319,552	441,881

Note:

In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants during the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

6. OTHER NET LOSSES

	2025 RMB'000	2024 RMB'000
Donation	(129)	(268)
Exchange gain (loss), net	8,318	(36,374)
Gain on early termination of leases	108	–
(Loss) Gain on disposal of property, plant and equipment, net	(24)	250
Unrealised gain on contracts for financial instruments at FVPL, net	3,606	4,220
Realised (loss) gain on contracts for financial instruments at FVPL, net	(34,297)	19,586
Others	(5,923)	12,491
	(28,341)	(95)

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

(a) Finance costs

	2025 RMB'000	2024 RMB'000
Interest on bank loans	56,769	22,938
Interest on lease liabilities	148	216
Other interest expenses	55,333	121,348
Total finance costs	112,250	144,502
Less: Capitalised into construction in progress (Note (i))	(3,735)	(12,016)
	108,515	132,486

Notes to the Consolidated Financial Statements

7. PROFIT BEFORE TAX (CONTINUED)

(b) Staff costs (including directors' emoluments in Note 9)

	2025 RMB'000	2024 RMB'000
Salaries, wages, allowances and other benefits	662,716	654,118
Discretionary bonus	–	–
Contributions to defined contribution retirement plan (Note (ii))	27,707	30,876
	690,423	684,994

(c) Other items

	2025 RMB'000	2024 RMB'000
Amortisation of intangible assets (included in "Administrative expenses")	1,533	1,366
Auditor's remuneration		
– audit services	1,667	1,613
– non-audit services	357	355
Cost of inventories (Note (iii))	16,612,741	19,059,332
Depreciation (included in "Cost of sales" and "Administrative expenses" as appropriate)		
– property, plant and equipment	807,065	807,763
– right-of-use assets	36,025	30,338
Loss allowance on trade receivables, net (Note 27(a))	16	274
Research and development costs (Note (iv))	467,198	567,707

Notes:

- (i) The borrowing costs have been capitalised at a rate of 2.20% (2024: 2.24%) per annum for the year ended 31 December 2025.
- (ii) For the years ended 31 December 2025 and 2024, there were no forfeited contributions in respect of contribution previously made which were available to reduce the Group's existing level of contributions to the relevant defined contribution retirement plans.
- (iii) For the year ended 31 December 2025, cost of inventories included approximately RMB1,188,639,000 (2024: approximately RMB1,141,397,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.
- (iv) For the year ended 31 December 2025, research and development costs included approximately RMB159,620,000 (2024: approximately RMB152,539,000) relating to staff costs and depreciation, which were included in the respective amounts as disclosed above.

Notes to the Consolidated Financial Statements

8. INCOME TAX EXPENSES

	2025 RMB'000	2024 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")		
Current year	56,299	68,284
Vietnam CIT		
Current year	2,572	9,150
Over-provision in prior year	(3,224)	–
Hong Kong Profits tax		
Current year	–	1,531
Over-provision in prior year	(281)	–
	55,366	78,965
Withholding tax		
Withholding tax on dividends	1,750	1,003
Deferred tax		
Origination and reversal of temporary differences (Note 24(a))	11,952	10,732
	69,068	90,700

Reconciliation of income tax expenses

	2025 RMB'000	2024 RMB'000
Profit before tax	712,264	838,601
Notional tax on profit before tax, calculated at the rates applicable to profit in the jurisdiction concerned	103,076	202,866
Effect of preferential tax treatments in the PRC	(38,909)	(112,082)
Effect of preferential tax treatments in Vietnam	(3,546)	(8,158)
Tax effect of non-deductible expenses	12,522	8,509
Tax effect of non-taxable income	(2,320)	(1,438)
Over-provision in prior year	(3,505)	–
Withholding tax on dividend income from PRC subsidiaries	1,750	1,003
Income tax expenses for the year	69,068	90,700

Notes to the Consolidated Financial Statements

8. INCOME TAX EXPENSES (CONTINUED)

Reconciliation of income tax expenses (Continued)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the Laws of the PRC on CIT (the “PRC CIT Law”) and Implementation Regulation of the PRC CIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2025 and 2024.

In accordance with the relevant PRC CIT Law, regulations and implementation guidance notes, the subsidiaries in the PRC, Fujian Billion Polymerization Fiber Technology Industrial Co., Ltd.* (福建百宏聚纖科技實業有限公司) (“Billion Fujian”) and Fujian Billion High-tech Material Industry Co., Ltd.* (福建百宏高新材料實業有限公司) (“Billion High-tech”) were approved to be the Advanced and New Technology Enterprise Status for a valid period of 3 years from 2025 to 2027, and from 2024 to 2026, respectively, which entitles Billion Fujian and Billion High-tech to a reduced PRC CIT tax rate at 15% during the valid period.

Hong Kong Profits Tax has not been provided for the year ended 31 December 2025 as the Group incurred a loss for taxation purpose in Hong Kong. For the year ended 31 December 2024, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK\$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Billion Development (Hong Kong) Limited (“Billion Development”), were taxed at 8.25% and assessable profits arising from Hong Kong above HK\$2 million were taxed at 16.5%.

From 1 January 2008, a non-resident enterprise without an establishment or a place of business in the PRC or which has an establishment or a place of business in the PRC but whose relevant income is not effectively connected with the establishment or place of business in the PRC, will be subject to a withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident may be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise. The Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective until 2025. Withholding tax on dividend represents tax charged by the PRC tax authority on dividends distributed by the Group’s subsidiaries in the PRC for the years ended 31 December 2025 and 2024.

* The English translation of the name is for reference only.

8. INCOME TAX EXPENSES (CONTINUED)

Reconciliation of income tax expenses (Continued)

The standard corporate income tax rate in Vietnam is 17% of taxable profits for the first 10 years starting from the first period of operation (i.e. 2019-2028 for Billion Industrial (Viet Nam) Co., Ltd. ("Billion Vietnam")) and 20% for the succeeding years. According to the provisions of the Investment Registration Certificate of Billion Vietnam, Billion Vietnam is exempted from Vietnam CIT for 2 years starting from the first year it generates taxable profit and entitled to a 50% reduction in income tax for the 4 succeeding years. The above exemption and reduction are not applicable to other income. As Billion Vietnam generated taxable profit for the first year in 2021, Billion Vietnam is exempted from Vietnam CIT for the years ended 31 December 2021 and 2022 and 50% reduction in income tax until the year ending 31 December 2026. For the years ended 31 December 2025 and 2024, Vietnam CIT has been provided at 17% as Billion Vietnam generated taxable profit and is entitled to a 50% reduction in income tax.

The Group is within the scope of the Global Anti-Base Erosion Model Rules ("Pillar Two Model Rules") published by the Organisation for Economic Co-operation and Development ("OECD"). The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The subsidiaries of the Group in Vietnam and Hong Kong operates in jurisdictions that has enacted legislation implementing the Pillar Two Model Rules published by the OECD. Based on the Group's assessment with reference to the most recent operational and financial information available for the relevant subsidiaries, the effective tax rates determined in accordance with the Pillar Two Model Rules for the relevant jurisdictions is below the 15% global minimum tax rate. Notwithstanding this, the management of the Group expects the application of the Pillar Two Model Rules would have no significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Year ended 31 December 2025

	Fees RMB'000	Salaries, wages, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution retirement plan RMB'000	Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	1,264	–	16	1,280
Mr. Wu Jinbiao	–	1,209	–	16	1,225
Ms. Shi Haiyan (Note)	–	109	–	14	123
Non-executive director					
Mr. Zhang Shengbai	458	–	–	–	458
Independent non-executive directors					
Mr. Lin Jian Ming	83	–	–	–	83
Mr. Shih Chun Pi	46	–	–	–	46
Mr. Yu Wai Ming	110	–	–	–	110
	697	2,582	–	46	3,325

Notes to the Consolidated Financial Statements

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (Continued)

Year ended 31 December 2024

	Fees RMB'000	Salaries, wages, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution retirement plan RMB'000	Total RMB'000
Executive directors					
Mr. Sze Tin Yau	–	1,258	–	16	1,274
Mr. Wu Jinbiao	–	1,203	–	16	1,219
Ms. Shi Haiyan (Note)	–	–	–	–	–
Non-executive director					
Mr. Zhang Shengbai	456	–	–	–	456
Independent non-executive directors					
Mr. Lin Jian Ming	83	–	–	–	83
Mr. Shih Chun Pi	46	–	–	–	46
Mr. Yu Wai Ming	109	–	–	–	109
	694	2,461	–	32	3,187

Note:

On 31 December 2024, Ms. Shi Haiyan was appointed as an executive director of the Company. She retired as an executive director of the Company on 23 May 2025 and was subsequently re-appointed as an executive director of the Company on 30 June 2025.

Notes to the Consolidated Financial Statements

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2024: three) are directors of the Company whose emoluments are set out above. The aggregate of the emoluments in respect of the remaining two (2024: two) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, wages, allowances and other benefits	1,313	1,309
Discretionary bonus	–	–
Contributions to defined contribution retirement plan	16	16
	1,329	1,325

The emoluments of the two (2024: two) individuals with the highest paid non-directors are with the following bands:

	2025 Number of individuals	2024 Number of individuals
Nil to HK\$1,000,000	2	2

No amount was paid or payable by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2025 and 2024. There was no arrangement under which a director or the five highest paid individuals waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	643,196	747,901
	2025	2024
Number of shares:		
Issued ordinary shares at 1 January	2,115,676,000	2,118,658,000
Effect of shares repurchased and cancelled (Note 26(c)(ii))	(1,599,041)	(1,061,284)
Weighted average number of ordinary shares	2,114,076,959	2,117,596,716

There were no dilutive potential ordinary shares during the years ended 31 December 2025 and 2024, and therefore, diluted earnings per share is the same as the basic earnings per share.

Notes to the Consolidated Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts

	Buildings held for own use RMB'000	Buildings leased for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Interests in leasehold land for own use RMB'000	Total RMB'000
Cost:								
At 1 January 2025	4,048,299	6,734	11,552,943	906,050	123,131	518,864	1,296,418	18,452,439
Exchange adjustments	(38,311)	–	(111,757)	(2,702)	(1,190)	(1,474)	(10,909)	(166,343)
Additions	–	–	–	15	–	585,387	25,470	610,872
Transfers	221,209	–	34,676	131,055	2,162	(389,102)	–	–
Disposals	–	(3,716)	(491)	–	(1,768)	(3,917)	–	(9,892)
At 31 December 2025	4,231,197	3,018	11,475,371	1,034,418	122,335	709,758	1,310,979	18,887,076
Accumulated depreciation:								
At 1 January 2025	(1,175,828)	(4,758)	(4,334,010)	(501,872)	(98,131)	–	(209,471)	(6,324,070)
Exchange adjustments	6,310	–	29,036	847	513	–	1,565	38,271
Charges	(143,196)	(298)	(607,073)	(50,002)	(6,794)	–	(35,727)	(843,090)
Eliminated on disposals	–	3,006	73	–	1,619	–	–	4,698
At 31 December 2025	(1,312,714)	(2,050)	(4,911,974)	(551,027)	(102,793)	–	(243,633)	(7,124,191)
Net carrying amounts:								
At 31 December 2025	2,918,483	968	6,563,397	483,391	19,542	709,758	1,067,346	11,762,885

Notes to the Consolidated Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amounts (Continued)

	Buildings held for own use RMB'000	Buildings leased for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Interests in leasehold land for own use RMB'000	Total RMB'000
Cost:								
At 1 January 2024	3,943,629	5,242	11,501,208	896,872	123,853	539,105	1,277,411	18,287,320
Exchange adjustments	(1,636)	–	(9,534)	(152)	(68)	(178)	(795)	(12,363)
Additions	–	1,492	–	–	–	163,519	19,802	184,813
Transfers	106,306	–	65,416	9,610	2,250	(183,582)	–	–
Disposals	–	–	(4,147)	(280)	(2,904)	–	–	(7,331)
At 31 December 2024	4,048,299	6,734	11,552,943	906,050	123,131	518,864	1,296,418	18,452,439
Accumulated depreciation:								
At 1 January 2024	(1,040,042)	(3,960)	(3,720,724)	(455,461)	(92,659)	–	(179,982)	(5,492,828)
Exchange adjustments	(117)	–	1,040	(6)	3	–	51	971
Charges	(135,669)	(798)	(617,187)	(46,672)	(8,235)	–	(29,540)	(838,101)
Eliminated on disposals	–	–	2,861	267	2,760	–	–	5,888
At 31 December 2024	(1,175,828)	(4,758)	(4,334,010)	(501,872)	(98,131)	–	(209,471)	(6,324,070)
Net carrying amounts:								
At 31 December 2024	2,872,471	1,976	7,218,933	404,178	25,000	518,864	1,086,947	12,128,369

Note:

Up to the date of approving the consolidated financial statements, the Group is applying for the title certificate of interests in leasehold land held for own use with net carrying amount of approximately RMB344,354,000 (2024: approximately RMB519,695,000) from the relevant PRC government authorities.

At 31 December 2025, the Group's building held for own use of approximately RMB38,201,000 (2024: approximately RMB40,490,000) was pledged to secure the Group's bank loans (Note 22).

Notes to the Consolidated Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amounts (Continued)

The analysis of net carrying amounts of properties (including buildings and leasehold land) is as follows:

	2025 RMB'000	2024 RMB'000
In Hong Kong		
– medium-term leases	38,201	40,490
Outside Hong Kong		
– medium-term leases	3,948,596	3,920,904
	3,986,797	3,961,394
Represented by:		
Buildings held for own use	2,918,483	2,872,471
Buildings leased for own use	968	1,976
Interests in leasehold land for own use	1,067,346	1,086,947
	3,986,797	3,961,394

(b) Right-of-use assets

The analysis of the net carrying amounts of the Group's right-of-use assets by class of underlying assets is as follows:

	Note	2025 RMB'000	2024 RMB'000
Included in "Property, plant and equipment":			
Interests in leasehold land for own use	(i)	1,067,346	1,086,947
Buildings leased for own use	(ii)	968	1,976
		1,068,314	1,088,923

Notes to the Consolidated Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Depreciation of right-of-use assets by class of underlying asset:		
Interests in leasehold land for own use	35,727	29,540
Buildings leased for own use	298	798
	36,025	30,338
Interest on lease liabilities	148	216

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 19(d) and 23 to the consolidated financial statements, respectively.

(i) Interests in leasehold land for own use

Interests in leasehold land for own use represents land use rights which the Group acquired for its business, where its manufacturing facilities are primarily located in the PRC and Vietnam. The Group is the registered owner of these property interests. Payments were made upfront to acquire these property interests from the relevant PRC government authorities and the previous registered owner of Vietnam, and there are no ongoing payments to be made under the terms of the land lease in the PRC, other than instalment payments set under the lease terms by the prior registered owner of Vietnam.

The initial lease terms of interests in leasehold land for own use are 50 years in the PRC and 41 years in Vietnam.

(ii) Buildings leased for own use

The Group has obtained the right to use other properties as its oil storage area through tenancy agreements. The leases typically run for an initial period of 10 to 20 years. Lease payments are fixed with no variable payments in accordance with the lease terms set in the tenancy agreements. None of these leases include an option to renew the leases for an additional period after the end of the contract term.

Notes to the Consolidated Financial Statements

12. INTANGIBLE ASSETS

	Software RMB'000	Emission rights of nitrogen oxides RMB'000	Total RMB'000
Cost:			
At 1 January 2024, 31 December 2024, 1 January 2025	10,318	8,133	18,451
Addition	–	1,429	1,429
At 31 December 2025	10,318	9,562	19,880
Accumulated amortisation:			
At 1 January 2024	(5,606)	(7,011)	(12,617)
Charges	(1,032)	(334)	(1,366)
At 31 December 2024 and 1 January 2025	(6,638)	(7,345)	(13,983)
Charges	(1,032)	(501)	(1,533)
At 31 December 2025	(7,670)	(7,846)	(15,516)
Net carrying amounts:			
At 31 December 2025	2,648	1,716	4,364
At 31 December 2024	3,680	788	4,468

Notes to the Consolidated Financial Statements

13. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid-up capital	Proportion ownership interest and voting power held by the Company		Principal activities
			Directly	Indirectly	
Billion Industrial Investment Limited	The BVI	United States Dollars ("US\$")1 (2024: US\$1)	100%	–	Investment holding
Billion Development	Hong Kong	HK\$1 (2024: HK\$1)	–	100%	Investment holding and sales of raw materials
Billion Fujian (Note (i))	The PRC	US\$928,963,379 (2024: US\$901,103,570)	–	100%	Manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products
Billion High-tech (Note (i))	The PRC	US\$288,249,466 (2024: US\$288,249,466)	–	100%	Manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products
福建百宏錦綸有限公司 Fujian Billion Nylon Limited* ("Billion Nylon") (Note (ii))	The PRC	RMB500,000,000 (2024: Nil)	–	100%	Manufacturing and sales of polyamide products
Treasure Full Global Industrial Limited ("Treasure Full")	The BVI	US\$1 (2024: US\$1)	–	100%	Investment holding
Billion Vietnam	Vietnam	US\$428,564,846 (2024: US\$356,564,846)	–	100%	Manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC with limited liability.

(ii) Billion Nylon was established on 21 January 2025.

* English name is translated for identification purpose only.

Notes to the Consolidated Financial Statements

13. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

- (a) Included in other receivables of the Company's statement of financial position at 31 December 2025, approximately RMB885,037,000 (2024: approximately RMB907,397,000) was amount due from a subsidiary which is unsecured, interest-free and has no fixed term of repayment.
- (b) Included in other payables of the Company's statement of financial position at 31 December 2025, approximately RMB795,381,000 (2024: approximately RMB787,415,000) was amount due to a subsidiary which is unsecured, interest-free and has no fixed term of repayment.

14. EQUITY INVESTMENTS – DESIGNATED FVOCI

	2025 RMB'000	2024 RMB'000
Unlisted equity investment, at fair value	35,820	35,820

The unlisted equity investment represented the 1.56% of equity interests in a local bank incorporated and operated in Jinjiang, Quanzhou in Fujian Province in the PRC (the "Bank"), which was acquired by the Group at cash consideration of approximately RMB35,820,000 in 2024. Dividends of approximately RMB1,378,000 (2024: Nil) were received on this investment during the year ended 31 December 2025. The Group irrevocably designated the investment in the Bank as Equity Investments – Designated FVOCI since the Group intends to hold the investment for long-term strategic purposes and considers the accounting treatment applied provide more relevant information for the investment. At 31 December 2025, the fair value of the Equity Investments – Designated FVOCI is determined by the management of the Group using the adjusted market approach with key input of discount of 23.5% for lack of marketability with reference to the valuation report prepared by an independent professional valuer, and therefore it is classified as level 3 under fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". At 31 December 2024, the fair value of the Equity Investments – Designated FVOCI is determined by the management of the Group based on recent transaction price that is not supported by observable market prices or rates, and therefore it is classified as level 3 under fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The change in valuation technique from the recent transaction price to the adjusted market approach in the current reporting period is due to the lack of arm's length transactions occurring during the year, resulting in the recent transaction price no longer being considered a reliable input for fair value measurement. The management of the Group considered that there is no significant change in fair value as at 31 December 2025 and 2024. Details of fair value measurement are disclosed in Note 27 to the consolidated financial statements.

15. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	535,064	683,839
Work in progress	185,520	205,813
Finished goods	4,985,665	4,425,086
	5,706,249	5,314,738

Notes to the Consolidated Financial Statements

16. TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables from third parties	688,854	1,155,299
Less: Loss allowance	(28,104)	(28,121)
	660,750	1,127,178
Bills receivables from third parties	48,940	69,549
	709,690	1,196,727
Deposits and prepayments for acquisition of interests in leasehold land and property, plant and equipment	294,492	141,336
Prepayments on raw materials	682,233	2,421,264
Interest receivables	420,007	385,315
Value-added tax recoverable	136,164	206,097
Deposits, prepayments and other receivables	65,630	47,982
	1,598,526	3,201,994
Less: Non-current portion – deposits and prepayments	(294,492)	(141,336)
	1,304,034	3,060,658
	2,013,724	4,257,385

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expenses within one year.

At 31 December 2025, the Group had discounted bank acceptance bills totalling approximately RMB3,253,058,000 (2024: approximately RMB3,477,137,000) and endorsed bank acceptance bills totalling approximately RMB72,552,000 (2024: approximately RMB68,130,000), which are derecognised as financial assets (the "Derecognition"). These bank acceptance bills matured within one year from date of issue. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable. During the year ended 31 December 2025, the loss arising from the Derecognition was approximately RMB5,318,000 (2024: approximately RMB9,083,000).

Non-current portion of deposits and prepayments mainly represents deposits and prepayments for acquisition of interests in leasehold land and property, plant and equipment.

Current portion of deposits, prepayments and other receivables mainly represents prepayments on raw materials, interest receivables from deposits with banks and value-added tax recoverable.

Notes to the Consolidated Financial Statements

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables and bills receivables (which are included in “trade and other receivables”), based on the date of billing and net of loss allowance for ECL, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 month	657,611	1,140,691
1 to 2 months	6,050	48,170
2 to 3 months	1,259	7,586
Over 3 months	44,770	280
	709,690	1,196,727

At 31 December 2025, trade receivables and bills receivables are due within 30 to 210 days (2024: 30 to 210 days) and 1 to 365 days (2024: 1 to 365 days), respectively, from the date of billing. Information about the Group's exposure to credit risks and loss allowance for ECL for trade and bills receivables is set out in Note 27(a) to the consolidated financial statements.

17. FINANCIAL ASSETS AT FVPL

Details of financial instruments represented by financial assets at FVPL are set out as follows:

	2025 RMB'000	2024 RMB'000
Unlisted wealth management products (Note (i))	50,000	–
Contracts for financial instruments at FVPL (Note (ii))	15,503	15,791
	65,503	15,791

Notes:

- (i) At 31 December 2025, the Group invested in unlisted wealth management products issued by a bank in the PRC with the aggregate principal amount of RMB50,000,000 (2024: Nil). These unlisted wealth management products comprised of listed and unlisted debt securities, funds and other financial products. There are no fixed or determined returns of the wealth management products and the returns of principal are not guaranteed.

Notes to the Consolidated Financial Statements

17. FINANCIAL ASSETS AT FVPL (CONTINUED)

Notes: (Continued)

- (ii) At 31 December 2025, the Group had outstanding commodity futures contracts, which will be matured within one year, with underlying nominal values of approximately RMB199,481,000 (2024: *approximately RMB203,472,000*).
- (iii) At 31 December 2025, the Group has outstanding foreign currency forward contracts of approximately RMB98,562,000 (2024: *approximately RMB98,562,000*), which will be matured in August and September 2026, entered into a bank in the PRC. In the opinion of the Group's management, no significant realised and unrealised fair value gain or loss has been arising for the foreign currency forward contracts with reference to the quote from the bank.

18. RESTRICTED BANK DEPOSITS

The restricted bank deposits of approximately RMB223,113,000 (2024: *approximately RMB221,120,000*) and approximately RMB4,677,079,000 (2024: *approximately RMB5,868,227,000*) were pledged to the banks to secure certain bank loans (Note 22) and bills payables (Note 20), respectively.

Notes to the Consolidated Financial Statements

19. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Time deposits and cash and bank balances

At 31 December 2025, cash at bank which were placed with banks in the PRC and Vietnam amounted to approximately RMB270,844,000 (2024: approximately RMB154,090,000) and approximately RMB72,328,000 (2024: approximately RMB62,416,000), respectively.

At 31 December 2025, time deposits of approximately RMB499,000,000 (2024: Nil), with annual interest rates ranging from 2.15% to 2.20%, are made for various periods from 3 to 5 years depending on the expected cash requirements of the Group at the respective deposit rates. All time deposits were denominated in RMB.

Remittance of funds out of the PRC and Vietnam are subject to the exchange restrictions imposed by the PRC and Vietnam governments.

(b) Cash (used in) generated from operations

	2025 RMB'000	2024 RMB'000
Profit before tax	712,264	838,601
Adjustments for:		
Bank interest income	(177,505)	(187,027)
Loss (Gain) on disposal of property, plant and equipment, net	24	(250)
Gain on early termination of leases	(108)	–
Unrealised gain on financial assets at FVPL, net	(3,606)	(4,220)
Interest from unlisted wealth management products	(216)	–
Finance costs	108,515	132,486
Amortisation of intangible assets	1,533	1,366
Loss allowance on trade receivables, net	16	274
Depreciation	843,090	838,101
Dividend from Equity Investments – Designated FVOCI	(1,378)	–
Effect of foreign exchange rate changes, net	11,708	29,041
Operating cash flows before changes in working capital	1,494,337	1,648,372
Changes in working capital:		
Inventories	(476,594)	(845,255)
Trade and other receivables	2,269,533	(939,050)
Trade and other payables	(4,269,898)	1,124,615
Contract liabilities	(30,415)	(40,790)
Deferred income	21,933	–
Cash (used in) generated from operations	(991,104)	947,892

Notes to the Consolidated Financial Statements

19. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans RMB'000	Lease liabilities RMB'000	Interest payables (included in "Trade and other payables") RMB'000	Total RMB'000
At 1 January 2025	783,804	4,256	13,078	801,138
Changes from financing cash flows:				
Proceeds from new bank loans	9,319,000	–	–	9,319,000
Repayment of bank loans	(8,011,117)	–	–	(8,011,117)
Capital element of lease rentals paid	–	(309)	–	(309)
Interest element of lease rentals paid	–	(148)	–	(148)
Interest paid	–	–	(103,748)	(103,748)
Total changes in financing cash flows	1,307,883	(457)	(103,748)	1,203,678
Non-cash changes:				
Exchange adjustments	(51)	(823)	–	(874)
Early termination on lease	–	(108)	–	(108)
Finance costs (Note 7(a))	–	148	112,102	112,250
	(51)	(783)	112,102	111,268
At 31 December 2025	2,091,636	3,016	21,432	2,116,084

Notes to the Consolidated Financial Statements

19. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans RMB'000	Lease liabilities RMB'000	Interest payables (included in "Trade and other payables") RMB'000	Total RMB'000
At 1 January 2024	700,616	3,146	6,887	710,649
Changes from financing cash flows:				
Proceeds from new bank loans	2,052,800	–	–	2,052,800
Repayment of bank loans	(1,969,689)	–	–	(1,969,689)
Capital element of lease rentals paid	–	(373)	–	(373)
Interest element of lease rentals paid	–	(216)	–	(216)
Interest paid	–	–	(138,095)	(138,095)
Total changes in financing cash flows	83,111	(589)	(138,095)	(55,573)
Non-cash changes:				
Exchange adjustments	77	(9)	–	68
Additions	–	1,492	–	1,492
Finance costs (Note 7(a))	–	216	144,286	144,502
	77	1,699	144,286	146,062
At 31 December 2024	783,804	4,256	13,078	801,138

(d) Total cash outflow for leases

The total cash outflow for leases for the year ended 31 December 2025 was approximately RMB457,000 (2024: approximately RMB589,000).

Notes to the Consolidated Financial Statements

20. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	1,385,059	1,776,654
Bills payables	9,484,665	13,478,598
Other payables and accrued charges	272,180	218,456
Salaries and welfare payables	51,022	52,984
Interest payables	21,432	13,078
Equipment payables	75,044	59,003
Construction payables	29,578	36,733
Accrued land cost	5,956	5,024
Other tax payables	137,294	169,737
	11,462,230	15,810,267

All of the trade and other payables are expected to be settled within one year or repayable on demand.

At 31 December 2025, bills payables carry interest rate at 0.50% to 1.60% (2024: 0.55% to 2.50%) per annum and certain bills payables were secured by restricted bank deposits (Note 18).

The Group is normally allowed with a credit term of 60 to 180 days by its suppliers. At the end of the reporting period, the ageing analysis of trade payables and bills payables (which are included in "trade and other payables"), based on the invoice date/issue date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	4,423,187	7,502,733
More than 3 months but within 6 months	3,531,528	4,693,857
More than 6 months but within 1 year	2,908,006	3,032,934
More than 1 year	7,003	25,728
	10,869,724	15,255,252

Notes to the Consolidated Financial Statements

21. CONTRACT LIABILITIES

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of receipt in advance from contracts with customer within HKFRS 15 during each of the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	302,764	343,554
Recognised as revenue	(297,611)	(343,554)
Receipt of advances or recognition of receivables	265,886	302,764
At 31 December	271,039	302,764

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised. The Group receives deposits on acceptance of orders on a case by case basis with customers before work commences.

For the years ended 31 December 2025 and 2024, the decrease was due to decrease in deposits received from customers.

At 31 December 2025 and 2024, the amount of billings in advance of performance received is expected to be recognised as income within one year.

22. BANK LOANS

At the end of the reporting period, the bank loans were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	2,091,636	501,852
After 1 year but within 2 years	–	281,952
	2,091,636	783,804

Notes to the Consolidated Financial Statements

22. BANK LOANS (CONTINUED)

At the end of the reporting period, the bank loans were secured as follows:

	2025 RMB'000	2024 RMB'000
Secured bank loans	2,091,636	783,804

At 31 December 2025, the secured bank loans are collectively secured by:

- (i) restricted bank deposits amounted to approximately RMB223,113,000 (2024: approximately RMB221,120,000) (Note 18);
- (ii) building held for own use with net carrying amount of approximately RMB38,201,000 (2024: approximately RMB40,490,000) (Note 11); and
- (iii) corporate guarantee given by Billion Fujian and Billion High-tech (2024: Billion Fujian and Billion High-tech) to the extent of approximately RMB2,581,710,000 (2024: approximately RMB2,511,775,000).

The ranges of effective interest rates on the Group's bank loans are as follows:

	2025 %	2024 %
Fixed rate bank loans	1.50 – 2.55	2.00 – 2.80
Variable rate bank loans	4.71	5.98

Notes to the Consolidated Financial Statements

23. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2025		2024	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	321	455	879	1,071
After 1 year but within 2 years	334	455	571	715
After 2 years but within 5 years	490	786	797	1,137
After 5 years	1,871	3,478	2,009	3,804
	2,695	4,719	3,377	5,656
	3,016	5,174	4,256	6,727
Less: Future finance charges		(2,158)		(2,471)
Present value of lease liabilities		3,016		4,256

At 31 December 2025, the weighted average of the incremental borrowing rates for the lease liabilities of the Group was approximately 4.47% (2024: approximately 4.22%) per annum.

Notes to the Consolidated Financial Statements

24. DEFERRED TAX

(a) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the years ended 31 December 2025 and 2024 are as follows:

	Depreciation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	202,381	(795)	201,586
Charged to profit or loss (Note 8)	8,887	1,845	10,732
At 31 December 2024	211,268	1,050	212,318
At 1 January 2025	211,268	1,050	212,318
Charged to profit or loss (Note 8)	7,049	4,903	11,952
At 31 December 2025	218,317	5,953	224,270

(b) Deferred tax liabilities not recognised

At 31 December 2025, there were undistributed profits of the Group's subsidiaries in the PRC amounted to approximately RMB2,987,300,000 (2024: approximately RMB2,672,406,000).

Deferred tax liabilities of approximately RMB149,365,000 (2024: approximately RMB133,620,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and the directors of the Company have determined that these profits are not likely to be distributed in the foreseeable future, except for certain amounts which will be distributed in the year ending 31 December 2026. In the opinion of the directors of the Company, the exposure to withholding tax of dividends is insignificant and would have no significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

25. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
At 1 January	–	–
Received during the year	21,933	–
At 31 December	21,933	–

	2025 RMB'000	2024 RMB'000
Non-current	21,933	–

Deferred income represents government incentives received from a PRC government authority in connection with the acquisition of certain plant and machineries by one of the Group's subsidiaries in the PRC. These grants are then recognised as income in profit or loss on a systematic basis over the useful lives of the related assets, so as to match the income from the grants with the depreciation expense of these assets.

As at 31 December 2025, the relevant asset is recognised as construction in progress which is expected to be recognised as property, plant and equipment in more than one year. By then, deferred income will be released to profit or loss over the useful life of the relevant assets by equal annual instalments.

Notes to the Consolidated Financial Statements

26. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 26(c)(i))	Share premium RMB'000 (Note 26(d)(i))	Capital redemption reserve RMB'000 (Note 26(d)(iii))	Exchange reserve RMB'000 (Note 26(d)(v))	Retained profits RMB'000	Total RMB'000
At 1 January 2024	17,816	71,721	1,517	(34,592)	83,101	139,563
Total comprehensive loss for the year	–	–	–	2,804	(5,620)	(2,816)
Purchase of own shares (Note 26(c)(ii))						
– par value paid	(25)	–	–	–	–	(25)
– premium paid	–	(11,350)	–	–	–	(11,350)
– transfer between reserves	–	(25)	25	–	–	–
At 31 December 2024	17,791	60,346	1,542	(31,788)	77,481	125,372
At 1 January 2025	17,791	60,346	1,542	(31,788)	77,481	125,372
Total comprehensive loss for the year	–	–	–	(2,868)	(5,746)	(8,614)
Purchase of own shares (Note 26(c)(ii))						
– par value paid	(27)	–	–	–	–	(27)
– premium paid	–	(13,177)	–	–	–	(13,177)
– transfer between reserves	–	(27)	27	–	–	–
At 31 December 2025	17,764	47,142	1,569	(34,656)	71,735	103,554

Notes to the Consolidated Financial Statements

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The final dividend in respect of 2025 of HK\$0.10 per ordinary share is proposed by the Board of Directors after the reporting period. The proposed final dividend will be accounted for as an appropriation of reserves in the year ending 31 December 2026 if it is approved by the Company's shareholders at the forthcoming annual general meeting. The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2024.

(c) Share capital

(i) Authorised and issued share capital

		Par value HK\$	Number of shares	Nominal value of ordinary shares HK\$	
Authorised:					
At 31 December 2024 and 2025		0.01	10,000,000,000	100,000,000	

Notes to the Consolidated Financial Statements

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (Continued)

(ii) Purchase of own shares

During the year ended 31 December 2025, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/Year of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid RMB'000
January 2025	6,000	4.35	4.35	24
March 2025	42,000	4.38	4.20	165
April 2025	130,000	4.60	4.10	510
May 2025	106,000	4.70	4.17	433
June 2025	900,000	4.60	4.27	3,701
July 2025	1,916,000	4.50	4.25	7,872
Repurchased and cancelled during the reporting period	3,100,000			12,705
September 2025	656,000	4.40	4.17	2,584
October 2025	456,000	4.70	4.22	1,823
November 2025	108,000	4.92	4.61	471
December 2025	86,000	5.00	4.57	366
Repurchased during the reporting period and cancelled subsequent to the reporting period	1,306,000			5,244
Total	4,406,000			17,949

Notes to the Consolidated Financial Statements

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (Continued)

(ii) Purchase of own shares (Continued)

During the year ended 31 December 2024, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/Year of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid RMB'000
January 2024	48,000	4.14	4.06	179
March 2024	10,000	4.30	4.30	39
April 2024	62,000	4.40	4.22	246
May 2024	6,000	4.35	4.35	24
June 2024	568,000	4.35	4.11	2,193
July 2024	820,000	4.30	4.15	3,190
August 2024	320,000	4.26	4.15	1,245
September 2024	178,000	4.25	4.00	681
October 2024	812,000	4.01	3.99	2,987
Repurchased and cancelled during the reporting period	2,824,000			10,784
November 2024	22,000	4.59	4.48	93
December 2024	102,000	4.30	4.25	406
Repurchased during the reporting period and cancelled subsequent to the reporting period	124,000			499
Total	2,948,000			11,283

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (Continued)

(ii) Purchase of own shares (Continued)

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 3,224,000 (2024: 2,982,000) shares, of which 124,000 and 3,100,000 shares were repurchased during the years ended 31 December 2024 and 2025 respectively, were cancelled during the year ended 31 December 2025. The remaining 1,306,000 (2024: 124,000) shares repurchased during the year ended 31 December 2025 were cancelled subsequent to the reporting period. Accordingly, the issued share capital of the Company was reduced by the nominal value of 3,224,000 (2024: 2,982,000) shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of approximately RMB27,000 (2024: approximately RMB25,000) was transferred from share premium to the capital redemption reserve during the year ended 31 December 2025. The premium for the repurchase of 3,224,000 (2024: 2,982,000) shares of approximately HK\$14,431,000 (equivalent to approximately RMB13,177,000) (2024: approximately HK\$12,417,000 (equivalent to approximately RMB11,350,000)) were charged to share premium for the year ended 31 December 2025. The premium for remaining 1,306,000 (2024: 124,000) shares of approximately HK\$5,743,000 (equivalent to approximately RMB5,239,000) (2024: approximately HK\$538,000 (equivalent to approximately RMB498,000)) were charged to share premium subsequent to the year ended 31 December 2025.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(iii) Statutory reserve

Pursuant to applicable PRC regulations, Billion Fujian and Billion High-tech are required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiaries. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiaries.

Notes to the Consolidated Financial Statements

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(iv) Capital reserve

The capital reserve of the Group mainly represented the difference between the paid-up capital of Billion Fujian and the nominal value of shares issued by the Company in exchange during the Group's reorganisation in 2011.

(v) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC and the translation of the Company's financial statements into presentation currency.

(vi) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. At 31 December 2025, the Group's debt ratio, being the Group's total liabilities over its total assets, was 55.15% (2024: 61.07%).

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's activities expose it to variety of financial risks including credit risk, liquidity risk, interest rate risk, price risk and foreign currency risk arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and other financial assets is limited because the counterparties are major banks in the PRC and Vietnam as well with established credit ratings, for which the Group considers to have low credit risk. Given the high credit ratings of the banks, the management of the Group does not expect any counterparties to fail to meet its obligations.

Trade and bills receivables from third parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 210 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At 31 December 2025, 26.2% (2024: 27.0%) and 50.0% (2024: 69.5%) of the total trade and bills receivables was due from the Group's largest trade debtor and its affiliated companies, and the five largest trade debtors and their affiliated companies, respectively.

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

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables from third parties (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables:

i) PRC operation

	At 31 December 2025		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.03%	613,754	6,324
Less than 1 month past due	3.87%	776	30
1 to 3 months past due	3.99%	777	31
More than 3 months	50.61%	3,549	1,796
		618,856	8,181

	At 31 December 2024		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.59%	1,052,190	16,723
Less than 1 month past due	4.62%	346	16
1 to 3 months past due	0.00% [#]	734	—*
More than 3 months	98.28%	232	228
		1,053,502	16,967

* Represent amounts less than RMB1,000.

[#] Represent expected loss rate lower than 0.01%.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables from third parties (Continued)

ii) Vietnam operation

	At 31 December 2025		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.00%	50,687	506
Less than 1 month past due	3.69%	5,507	203
1 to 3 months past due	3.75%	533	20
More than 3 months	30.85%	62,211	19,194
		118,938	19,923

	At 31 December 2024		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.22%	106,531	1,307
Less than 1 month past due	4.10%	49,888	2,048
1 to 3 months past due	4.13%	7,147	295
More than 3 months	96.45%	7,780	7,504
		171,346	11,154

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables from third parties (Continued)

Movement in the loss allowance in respect of trade and bills receivables during the years ended 31 December 2025 and 2024 is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	28,121	27,849
Increase in loss allowance	16	274
Exchange adjustments	(33)	(2)
At 31 December	28,104	28,121

As set out in Note 16 to the consolidated financial statements, at 31 December 2025, the Group had discounted bank acceptance bills totalling approximately RMB3,253,058,000 (2024: approximately RMB3,477,137,000) and endorsed bank acceptance bills totalling approximately RMB72,552,000 (2024: approximately RMB68,130,000), which are derecognised as financial assets. The transferees have the right to recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. At 31 December 2025, the Group's maximum loss in case of default is approximately RMB3,325,611,000 (2024: approximately RMB3,545,267,000) for these discounted or endorsed bills. Nonetheless, the Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

Other receivables

The management of the Group considers that the other receivables have low credit risk based on its strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Impairment on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures. In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be insignificant after taking into account the financial position and credit quality of the counterparties.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the head office when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the respective end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2025					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	2,106,253	–	–	–	2,106,253	2,091,636
Trade payables	1,385,059	–	–	–	1,385,059	1,385,059
Bills payables	9,484,665	–	–	–	9,484,665	9,484,665
Other payables and accrued charges	343,733	–	–	–	343,733	343,733
Accrued land cost	5,956	–	–	–	5,956	5,956
Lease liabilities	455	455	786	3,478	5,174	3,016
Equipment payables	75,044	–	–	–	75,044	75,044
Construction payables	29,578	–	–	–	29,578	29,578
	13,430,743	455	786	3,478	13,435,462	13,418,687

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (Continued)

	At 31 December 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	511,620	285,425	–	–	797,045	783,804
Trade payables	1,776,654	–	–	–	1,776,654	1,776,654
Bills payables	13,478,598	–	–	–	13,478,598	13,478,598
Other payables and accrued charges	283,426	–	–	–	283,426	283,426
Accrued land cost	5,024	–	–	–	5,024	5,024
Lease liabilities	1,071	715	1,137	3,804	6,727	4,256
Equipment payables	59,003	–	–	–	59,003	59,003
Construction payables	36,733	–	–	–	36,733	36,733
	16,152,129	286,140	1,137	3,804	16,443,210	16,427,498

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loans and cash and cash equivalents carrying variable interest rates.

The Group's bank loans mainly arise in the PRC at the Loan Prime Rate.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (Continued)

The following table details the interest rate profile of the Group's net deposits at the end of the reporting period:

	At 31 December			
	2025		2024	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Net fixed rate borrowings (deposits):				
Bank loans	1.50%-2.55%	2,090,431	2.00%-2.80%	780,716
Lease liabilities	3.95%-4.90%	3,016	3.95%-4.90%	4,256
Restricted bank deposits	1.80%-4.77%	(4,900,192)	1.85%-3.80%	(6,089,347)
Time deposits with original maturity of more than three months	2.15%-2.20%	(499,000)	N/A	–
		(3,305,745)		(5,304,375)
Variable rate borrowings (deposits):				
Bank loans	4.71%	1,205	5.98%	3,088
Cash and cash equivalents	0.0001%-0.35%	(358,916)	0.0001%-0.20%	(227,528)
		(357,711)		(224,440)
Total net deposits		(3,663,456)		(5,528,815)

If interest rates had been 1% (2024: 1%) higher or lower while all other variables were held constant, the Group's pre-tax results would increase or decrease by approximately RMB3,577,000 (2024: approximately RMB2,244,000) for the year ended 31 December 2025.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments with variable borrowings and deposit rates in existence at the end of the reporting period. The general increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

The management of the Group monitors the related interest rate risk exposure closely on daily basis and, pursuant to a written interest rate hedging policy as approved by the management of the Group, the Group would only enter into interest rate swap contracts should need arise. At 31 December 2025 and 2024, the Group had no significant outstanding interest rate swap contracts.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Price risk

The Group is exposed to fair value price risk through its investments in (i) Equity Investments – Designated FVOCI, (ii) unlisted wealth management products and (iii) contracts for financial instruments at FVPL. The directors of the Company manage the exposure by closely monitoring the portfolio of these financial instruments. The fair value of these financial instruments will be affected either positively or negatively, amongst others, by the changes in the fair values of the relevant instruments as resulted from the changes in market values of underlying items.

The following table indicates the approximate changes in the Group's pre-tax results/total other comprehensive income if the fair value of the relevant financial instruments had changed by stated amplitudes and all other variables were held constant at the end of the reporting period:

	At 31 December					
	2025			2024		
	Increase (Decrease) in fair value	Effect on pre-tax results RMB'000	Effect on total other comprehensive income RMB'000	Increase (Decrease) in fair value	Effect on pre-tax results RMB'000	Effect on total other comprehensive income RMB'000
Equity Investments – Designated FVOCI	10% (10%)	– –	3,582 (3,582)	10% (10%)	– –	3,582 (3,582)
Unlisted wealth management products	1% (1%)	500 (500)	– –	– –	– –	– –
Contracts for financial instruments at FVPL	10% (10%)	19,948 (19,948)	– –	10% (10%)	20,347 (20,347)	– –

The sensitivity analysis has been determined assuming that the changes in fair value of the financial instruments had occurred at the end of each reporting period and had been applied to the Group's exposure to price risk for financial instruments (i.e. equity value or contract nominal value) in existence at that date, and that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in the fair value over the year until the end of the next reporting period.

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the price risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Foreign currency risk

The Group's transactions are mainly denominated in RMB, US\$, HK\$ and Euros ("EUR").

The Group mainly operates in the PRC with majority of business transactions being denominated and settled in US\$ which is the functional currency of the relevant group entities.

At 31 December 2025 and 2024, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies used by the respective group entities, except for certain financial assets and financial liabilities of the Group which are denominated in currencies other than the functional currency of the respective group entities and therefore, exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities at 31 December 2025 and 2024 are analysed as follows:

The Group is exposed to currency risk primarily through cash and cash equivalents, sales and purchases that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US\$, HK\$ and EUR.

	At 31 December					
	2025			2024		
	US\$ RMB'000	HK\$ RMB'000	EUR RMB'000	US\$ RMB'000	HK\$ RMB'000	EUR RMB'000
Assets (Liabilities)						
Trade and other receivables	246,499	–	1,189	266,436	–	–
Cash and cash equivalents	58,034	141	2,794	49,693	146	913
Trade and other payables	(1,305,344)	–	(9,636)	(1,733,448)	–	(8,437)
	(1,000,811)	141	(5,653)	(1,417,319)	146	(7,524)

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Foreign currency risk (Continued)

The following table indicates the approximate changes in the Group's pre-tax results if exchange rates of the US\$, HK\$ and EUR had changed against the functional currencies of the respective group entities by 5% and all other variables were held constant at the end of the reporting period:

	At 31 December			
	2025		2024	
	Increase (Decrease) in foreign exchange rates	Effect on pre-tax results RMB'000	Increase (Decrease) in foreign exchange rates	Effect on pre-tax results RMB'000
US\$	5% (5%)	(50,041) 50,041	5% (5%)	(70,866) 70,866
HK\$	5% (5%)	7 (7)	5% (5%)	7 (7)
EUR	5% (5%)	(283) 283	5% (5%)	(376) 376

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

The management of the Group monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the management of the Group, the Group would only enter into foreign currency forward contracts should need arise. At 31 December 2025, the Group had outstanding foreign currency forward contracts of approximately RMB98,562,000 (2024: approximately RMB98,562,000). No significant realised and unrealised fair value gain or loss has been arising for the foreign currency forward contracts.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements At 31 December 2025 using			
	Fair value at 31 December 2025 RMB'000	Quoted prices in active market for identified underlying items (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Equity Investments – Designated FVOCI	35,820	–	–	35,820
Unlisted wealth management products	50,000	–	50,000	–
Contracts for financial instruments at FVPL	15,503	15,503	–	–

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Fair value measurements At 31 December 2024 using				
Fair value at 31 December 2024 RMB'000	Quoted prices in active market for identified underlying items (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement				
Equity Investments – Designated FVOCI	35,820	–	–	35,820
Contracts for financial instruments at FVPL	15,791	15,791	–	–

Valuation techniques and inputs used in fair value measurements

At 31 December 2025 and 2024, the fair values of contracts for financial instruments at FVPL are determined by reference to the prices quoted by the financial institutions.

At 31 December 2025, the fair values of wealth management products are the estimated amounts that the Group would receive to sell wealth management products at the end of the reporting period, taking into account the expected interest rate which is the most significant input.

At 31 December 2025, the fair value of the Equity Investments – Designated FVOCI is determined by the management of the Group using the adjusted market approach with key input of discount of 23.5% for lack of marketability with reference to the valuation report prepared by an independent professional valuer. At 31 December 2024, the valuation of the Equity Investments – Designated FVOCI involved the management of the Group's estimates on recent transaction prices. Where observable market data is not available, or where instruments are not liquid, estimates must be developed based on the most appropriate source data. At 31 December 2025, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity investments by 1% would have increased/decreased the Group's total other comprehensive income by approximately RMB358,000 (2024: RMB358,000).

In the opinion of the Group's management, the change in 1% of the significant unobservable input to the valuation of the Equity Investments – Designated FVOCI has no significant impact on the Group's pre-tax results for the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Valuation techniques and inputs used in fair value measurements (Continued)

Movement in Level 3 fair values measurement is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	35,820	–
Addition (Note 14)	–	35,820
Change in fair value	–	–
At 31 December	35,820	35,820

During the years ended 31 December 2025 and 2024, except for the additions of Equity Investments – Designated FVOCI, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(ii) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and financial liabilities are carried at amounts not materially different from their fair values at 31 December 2025 and 2024.

28. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2025 and 2024 not provided, net of any deposits paid, for in the consolidated financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for property, plant and equipment	1,582,865	623,224

Notes to the Consolidated Financial Statements

29. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2025 and 2024, transactions with the following parties are considered to be related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employees as disclosed in Note 9 to the consolidated financial statements, is as follows:

	2025 RMB'000	2024 RMB'000
Salaries, wages, allowances and other benefits	5,614	5,404
Discretionary bonus	–	–
Contributions to defined contribution retirement plan	79	63
	5,693	5,467

(b) Transactions with related parties

Other than otherwise disclosed, the Group had no significant related party transactions for the years ended 31 December 2025 and 2024.

(c) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

The connected transactions or continuing connected transactions, if any, have been disclosed in the "Report of the Directors" section of the annual report.

Notes to the Consolidated Financial Statements

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Investments in subsidiaries	13	–	–
Current assets			
Other receivables	13(a)	891,082	908,761
Cash and cash equivalents		9,222	5,581
		900,304	914,342
Current liabilities			
Other payables	13(b)	796,750	788,970
Net current assets		103,554	125,372
NET ASSETS		103,554	125,372
Capital and reserves			
Share capital	26(c)	17,764	17,791
Reserves	26(a)	85,790	107,581
TOTAL EQUITY		103,554	125,372

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 16 March 2026 and signed on its behalf by

Sze Tin Yau
Director

Wu Jinbiao
Director

Notes to the Consolidated Financial Statements

31. JOINTLY CONTROLLING PARTIES

At 31 December 2025 and 2024, the directors of the Company consider the jointly controlling parties of the Group to be Hong Kong (Rong An) Investment Limited incorporated in Hong Kong and Kingom Power Limited incorporated in the BVI.

Financial Summary

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	18,049,176	20,631,678	17,755,491	15,564,988	14,241,565
Cost of sales	(16,612,741)	(19,059,332)	(16,705,432)	(14,141,043)	(11,493,748)
Gross profit	1,436,435	1,572,346	1,050,059	1,423,945	2,747,817
Profit before tax	712,264	838,601	411,333	744,801	2,091,476
Income tax expenses	(69,068)	(90,700)	(57,935)	(88,983)	(331,745)
Profit for the year	643,196	747,901	353,398	655,818	1,759,731

	At 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Current assets	13,044,584	15,904,789	13,293,380	13,742,592	12,070,094
Non-current assets	12,596,561	12,309,993	12,975,068	12,731,666	11,468,505
Total assets	25,641,145	28,214,782	26,268,448	26,474,258	23,538,599
Current liabilities	13,889,453	16,727,542	15,549,791	16,356,972	13,738,650
Non-current liabilities	248,898	497,647	487,397	290,409	696,610
Total liabilities	14,138,351	17,225,189	16,037,188	16,647,381	14,435,260
Net assets	11,502,794	10,989,593	10,231,260	9,826,877	9,103,339
Share capital	17,764	17,791	17,816	17,819	17,819
Reserves	11,485,030	10,971,802	10,213,444	9,809,058	9,085,520
Total equity	11,502,794	10,989,593	10,231,260	9,826,877	9,103,339